

The Tax Cut and Jobs Act is Here

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In the waning days of 2017, President Trump signed the Tax Cut and Jobs Act (TCJA) into law. Unless you've been living in a cave for the past few months, you know this has been a controversial as well as comprehensive piece of legislation. While the details are still being worked out, it appears the TCJA will have both short and long-term effects for many people. Here is an overview of some items affected by the TCJA:

1. Income taxes for individuals and married people: There has been a reshuffling of the marginal income tax rates for both individual and married filers. Alternative Minimum Tax (AMT) thresholds have also been relaxed. The well-known Standard Deductions and Personal Exemptions have been increased and repealed, respectively. Some familiar credits have also been affected like the Child Tax Credit. For taxpayers who itemize deductions, pay attention to several changes related to the usual deductions for: State and Local taxes, Mortgage Interest and Medical Expenses.

2. Estate and Gift taxes will be affected for several years: Under the new law, the top estate and gift tax rate of 40% will only apply to lifetime gifts or estates in excess of \$11.2 million; or \$22.4 million per married couple. In addition to the lifetime transfer deduction, the annual gifting exclusion amount increases to \$15,000 per donee per calendar year (up from \$14,000 in 2017). These significant value adjustments could impact planning techniques for wealthy families doing estate planning.

As always, there's a catch. Most of the provisions of the TCJA are only effective from January 1, 2018 through December 31, 2025. After this window of time, the law "sunset" back to the laws existing in 2017. Sound familiar? This is similar to the scenario which occurred when President George W. Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001 into law which was scheduled to sunset on December 31, 2000. If history is a good teacher, then we can expect to see some revisions to the tax laws in late 2024 (or an extension of TCJA). In the meantime, stay tuned for more information (and planning opportunities) brought about by the passage of this significant legislation.