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A Summary of Proposed Tax Changes + How It Might Affect You

Tax Change	Potential Impact (Positive, Negative, Neutral or Ambiguous)	Apply to you? (Take note when changes may affect you)
Reduce tax brackets from seven to four	Reduced taxes for many individuals and families	Yes, in all cases
Expanded standard deductions in place of the personal exemption and expanded child tax credit	Reduce taxes for many individuals and families Potentially increase tax for families with large numbers of dependent kids	Yes, in all cases
Limitations of deducting state and local income taxes	This has varying impact depending on the state income tax rate. Property tax deductions are preserved for real estate up to $10,000 per year.	☐
Casualty losses & gambling losses	If impacted by a property loss, the event must be characterized as special disaster relief to get a break. There will not be deductions for gambling.	☐
Repeal of medical expense deduction	Few taxpayers meet the threshold to deduct medical expenses, but when they do, it can be significant and often applicable to older Americans and those with serious illnesses or health costs.	☐
Miscellaneous deductions including tax services, moving expenses, electric vehicles, adoption credits	You can no longer deduct for tax advice or software. Other deductions are often one-time expenses.	☐
Changes to tax treatment of alimony for divorces in the future	Spousal support payments have been taxed to the payee until now, which often puts that pay into a lower tax bracket. This would be curtailed with all income taxed to the payor, who is often the higher-income spouse.	☐

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Limitation of mortgage interest deduction on debt above $500,000 and changes to home equity interest deductions	Homeowners of large residences as well as owners of second homes and those who use home equity lines of credit would see reduced or eliminated interest deductions.	☐
Primary Residence Capital Gains	To use the capital gains exclusion of primary residences, you would now need to live in your home for five of the last eight years (previously this was two of the last five years). Also, this exclusion could only be used once every five years. This will also have phaseouts at higher incomes.	☐
Charitable deductions	There will be a slight increase of the amount of cash charitable contributions that are deductible as well as indexing for inflation for mileage. But, you will have additional reporting requirements for some donations and deducting donations for seating rights for college athletics are completely eliminated.	☐
Elimination of tax preferences for employer benefits	Repeal of dependent care tax support through employer plans, qualified moving expense reimbursements, adoption assistance programs, employer provided education assistance, meals and entertainment deduction, limited, and additional fringe benefits would become taxable.	☐
Increased flexibility in employer retirement plans	Hardship withdrawal restrictions would be relieved including the ability to contribute within six months of a withdrawal, expansion of access to funds for hardship, and additional time to payback 401k loans when someone leaves an employer.	☐

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Education such as college costs	Simplification of college credits with the elimination of the Hope Scholarship and Lifetime Learning Credit and consolidation into American Opportunity Credit. No new Coverdell Savings Accounts in favor of 529 plans. Addition of 529 contributions/opening for unborn children. Plus the ability to use 529 plans to pay for up to $10,000 in private elementary or high school expenses each year. Meanwhile, student loan interest would no longer be deductible and savings bond interest for higher education would be taxable.	☐
Business income from pass-through entities	Some pass-through business owners will be able to cap their associated taxes at 25% avoiding the two higher brackets.	☐
Reduced flexibility for Roth conversions	While Roth IRA's have effectively had a short-term do-over known as a recharacterization, this would no longer be available.	☐
Estate Tax sunset	The estate tax would be doubled for 2018 to $11.2 million for individuals and $22.4 miilion for couples, growing until the tax is eventually eliminated in 2024. While those watching the estate tax anticipated a change to step-up in cost basis rules to offset some costs, that was not included in the proposed legislation.	☐