

Tax Update:

What Everyone Needs to Know



by George Spanos

The recent Tax Reform was based on a few simple principles with two particularly oriented to individuals. First, it is supposed to be simple, fair, and easy to understand. Secondly, people were supposed to essentially get a pay raise by getting to keep more of the income that they make. Once the Tax Reform was finalized and passed, it seems that they missed the first point. Simple and easy to understand was apparently left behind to get the reformation accomplished. As for people getting to keep more of what they make, there were several tradeoffs that may result in people retaining less of what they earn. Here are the top 15 things to know from the Tax Reformation.

1. The tax rates did decrease for six of the seven tax brackets and the taxable income in those six brackets also increased for single parties and married parties filing jointly.
2. Children's unearned income is no longer taxed at the parent's tax rates but at the same rate as trusts and estates. Therefore, if this unearned income surpasses \$12,500 it will be taxed at a rate of 37%.
3. Standard Deductions have almost doubled but Personal Exemptions have been suspended.
4. Medical Exemptions increased for 2017 and 2018 from amount greater than 10% of the AGI (aggregate gross income) to amounts greater than 7.5% of the AGI.
5. State and Local taxes were fully deductible under the previous tax law but are capped at \$10,000 of one's combined state sales, property, and income tax.
6. The Mortgage Interest Deductions for Acquisition debt dropped from \$1,000,000 down to \$750,000 and Interest from Home Equity Debt deductions were eliminated EXCEPT Mortgage Interest deductions for contracts in place by December 15, 2017 are grandfathered in under the previous rules.
7. All miscellaneous itemized deductions subject to the 2% AGI floor, including deductions for tax preparation unreimbursed employment expenses, and investment fees, are repealed.
8. Itemized deductions for cash contributions to charity increased from 50% to 60% BUT payments in exchange for the rights to purchase college athletics tickets is repealed.
9. Some above the line deductions didn't change: educators can still deduct up to \$250 in supply expenses and up to \$2,500 can still be deducted on interests for student loans.
10. Alimony in divorces or legal separations after 2018 is now exempt for the payee and non-deductible by the payor. It appears that alimony modification would also fall under this change in the Tax Reformation.

11. Uninsured losses for fire, storm, shipwreck, or theft are now limited to losses sustained from presidentially-declared disasters.
12. The impact of the Alternative Minimum Tax for individuals has decreased for parties filing single and married parties filing jointly due to expanded exemptions and phase-out thresholds.
13. The child tax credit doubled from \$1,000 to \$2,000 per child up to age 16 and the additional tax credit is now refundable up to \$1,400.
14. 529B plans tax free expenditures were expanded from qualified higher education expenses to include up to \$10,000 per year for K - 12 private schools BUT it is set to sunset in 2026.
15. The life-time gift and estate tax exemption increased to \$11,180,000 per person and the annual gift exclusion is up to \$15,000 per person.

TWO BONUS Notes for Businesses

1. Law offices do **not** qualify for the special 20% deduction as they are considered Specified Service Businesses.
2. Meals and Entertainment
 - a. 100% of costs for compensation of employees, income of non-employees, qualified reimbursed expenses, and qualified employee recreation is deductible.
 - b. 50% of business meals and beverages are deductible.
 - c. There are NO Deductions for entertainment, amusement/recreation, dues, and related facilities.

ABOUT THE AUTHOR

Mr. Spanos was raised in Memphis, TN, and graduated from the University of Tennessee at Chattanooga with honors. He has lived in Nashville since graduating. After working at Dell, Inc. for four years in business acquisitions, Mr. Spanos attended the Nashville School of Law. Mr. Spanos worked at Rogers, Kamm & Shea beginning in his first year at Nashville School of Law, bolstering his legal education with practical experience. He has been married for over ten years and is a father of two children.

Having worked for Ms. Rogers and the firm while he attended law school, Mr. Spanos gained valuable insight to the firm and significant experience prior to his admission to the Bar. Mr. Spanos practices in all areas of family and probate law, including divorce, post-divorce, child custody and visitation, child support, juvenile,

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and wills and estates. Mr. Spanos has successfully tried multiple contested trials since being admitted to the practice of law.

He has chaired and coordinated the Williamson County Mock Trial Competition since 2016 and also volunteers at the Fred D. Gray Institute for Law, Justice & Society's Free Legal Clinic. He was selected, from a large number of attorney applicants, to be one of the select members of the Nashville Bar Foundation's Leadership Forum's 2017-2018 class. Additionally, he chairs the Domestic

Legislation Committee for the Tennessee Trial Lawyer's Association, where he helps review proposed changes to family law statutes and meets with legislators to ensure laws are fair to all Tennesseans.

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Filing Status	Current Law	GOP Tax Deal
Single	\$6,350	\$12,000
HOH	\$9,350	\$18,000
MFJ	\$12,700	\$24,000
Personal Exemption	\$4,050 per person	None

	Current Law	GOP Tax Deal
Minimum Tax Rate	26% up to \$186,300 AMTI 28% AMTI > \$186,300	Same
Exemption	\$54,300 Single \$84,500 MFJ	\$70,300 Single \$109,400 MFJ
Phase-Out Thresholds	\$120,700 Single \$150,900 MFJ	\$500,000 Single \$1,000,000 MFJ

Current Law	GOP Tax Deal
Up to \$1,000 per child up to age 16	\$2,000 per child up to age 16
The "Additional Child Tax Credit" is a 15% refundable credit after \$3,000 in income	Fully refundable up to \$1,400
Phases out at: \$75,000 Single / \$110,000 MFJ	Phases out at: \$200,000 Single / \$400,000 MFJ

Current Law	Rate	GOP Tax Deal	Rate
Under \$9,325 Single Under \$18,650 MFJ	10%	Under \$9,525 Single Under \$19,550 MFJ	10%
\$9,325 - \$37,950 Single \$18,650 - \$75,900 MFJ	15%	\$9,525 - \$38,700 Single \$19,500 - \$77,400 MFJ	12%
\$37,950 - \$91,900 Single \$75,900 - \$153,100 MFJ	25%	\$38,700 - \$82,500 Single \$77,401 - \$165,000 MFJ	22%
\$91,900 - \$191,650 Single \$153,100 - \$233,350 MFJ	28%	\$82,500 - \$157,500 Single \$165,000 - \$315,000 MFJ	24%
\$191,650 - \$416,700 Single \$233,350 - \$416,700 MFJ	33%	\$157,500 - \$200,000 Single \$315,000 - \$400,000 MFJ	32%
\$416,700 - \$418,400 Single \$416,700 - \$470,700 MFJ	35%	\$200,000 - \$500,000 Single \$400,000 - \$600,000 MFJ	35%
Over \$418,400 Single Over 470,700 MFJ	39.6%	Over \$9,325 Single Over \$18,650 MFJ	37%

