

The Impact of the 2017 Tax Law for Individuals

The Special Needs Planning Team

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The Tax Cut and Jobs Act (TCJA) of 2017 is the largest piece of tax reform legislation that Congress has passed in over thirty years. The total impact will vary dramatically for each taxpayer.

Summarized below are some of the key changes for individuals to be aware of and a section specifically relevant to individuals with disabilities.

Timing of the TCJA

With the notable exception of medical expenses (see below), TCJA begins to apply to individuals beginning January 1, 2018 and will sunset (go back to the previous law) on December 31, 2025.

TCJA General Information: Key Changes for Individuals

There is a new rate structure for Federal Income Taxes.

Tax Brackets and Rates, 2018

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0
12%	\$9,525	\$19,050	\$13,600
22%	\$38,700	\$77,400	\$51,800
24%	\$82,500	\$165,000	\$82,500
32%	\$157,500	\$315,000	\$157,500
35%	\$200,000	\$400,000	\$200,000
37%	\$500,000	\$600,000	\$500,000

The Standard Deduction has close to doubled but...

For single filers, the standard deduction has risen from \$6350 to **\$12000**, and for married couples, from \$12,700 to **\$24,000**. However, personal exemptions have been eliminated.

Due to the elimination of the personal exemption, withholding should now be based upon eligibility for the child tax credit, filing status (single or joint), and whether a filer uses the standard deduction or itemizes.

State and Local Tax Deductions are capped.

State and local property, income and sales taxes paid may be deducted up to a maximum of \$10,000. This deduction was previously unlimited.

A Lower Cap on the Mortgage Interest Deduction.

The deduction of interest on a new mortgage for a first or second home is capped at \$750,000 (previously \$1,000,000).

Higher exemption levels for the Alternative Minimum Tax (AMT).

The number of filers affected by the AMT will be reduced due to an increase in the income exemption levels: individuals from \$54,300 to **\$70,300** and couples from \$84,500 to **\$109,400**.

The Child Tax Credit has doubled.

The child Tax credit amount is now \$2000 (from \$1000) per qualifying child (the child must have a SSN) under age 17. This credit will begin to phase out at AGI levels of \$400,000 for joint filers (was \$110,000) and \$200,000 for all other filers. There are also eligibility rules for non-qualifying children to receive a partial tax credit and for refunds.

Divorce – Alimony no longer deductible.

This provision is effective for divorces finalized after December 31, 2018 and some modifications to existing arrangements reached after 2018. Alimony and maintenance payments will no longer be treated as deductible to the payor and taxable to the recipient.

Going forward, the payor, person paying the alimony will have to figure in the taxes they will owe on the alimony to be paid to the recipient, their ex-spouse. Likewise, the ex-spouse who will receive the alimony should take into consideration that their payments will be tax free.

Child support is unaffected; it is neither a deduction nor income to either party. It is unclear what state and local tax governments will do.

The Blind/Elderly Deduction retained.

Although personal exemptions have been done away with, individuals age 65 and over or blind, can claim an additional \$1550 deduction if they file as single or head of household. Married couples filing jointly can claim \$1250 if one meets the above requirement and \$2500 if both do so.

The Medical Expenses Deduction has increased.

People may deduct medical expenses exceeding 7.5% (was 10% previously) of their adjusted gross income (AGI) for both 2017 and 2018. This increase applies retroactively to medical expenses incurred in 2017 and claimed on the 2017 tax return.

Elimination of the interest deduction on Home Equity Loans.

TCJA, in some cases, eliminates the deduction for interest on home equity loans (previously allowed on loans up to \$100,000.)

The Federal Estate Tax Exemptions have doubled.

For 2018 the Federal estate tax exemption is \$11.18 million for individuals and \$22.36 million for married couples. Amounts over these exemptions will be taxed at 40%. Exemption amounts are subject to inflation adjustments.

The mandate to buy health insurance has been eliminated.

There is no longer a penalty if an individual fails to purchase health insurance.

529 Plan allowable use has been expanded.

Federally tax-free distributions from 529 plans may now be used for elementary and secondary school expenses, including private, public and religious school, as well as home schooling expenses. Educational therapies for students with disabilities are also included with a \$10,000 annual limit. The tax treatment of withdrawals at the state level may vary.

Exemption for Qualified Disability Trust (QDisT) or Third Party Special Needs Trust is Retained.

A QDisT may retain \$4150- the amount of the exemption- tax-free each year. This is in contrast to a first party or grantor trust, which will have the income from the trust counted as part of the donor's personal income.

Changes to the ABLE Law

The role of ABLE Accounts was expanded by the TCJA. We have provided a summary here based upon information from the [ABLE National Resource Center](#). Changes include:

1. Increased annual contribution limit- now \$15,000.
2. ABLE to Work- additional allowable contributions by the beneficiary as a result of employment.
3. Ability to Rollover funds from a 529 College Savings account to an ABLE - 529A-account.
4. Savers Credit - Access to the Retirement Savings Contribution Credit.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual, nor intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor. Examples are hypothetical for illustrative purposes only. Individual results will vary.

Sources for this article: ABLE National Resource Center ElderCounsel.com Decoding the Tax Cuts and Job Act, Larry Brant and Steven Nofziger, March 18, 2018 Some Impacts of the New Tax Law on Older Adults and Disabled, Jeffrey Marshall, Marshall, Parker & Weber, LLC, December 2017 How will Tax Reform Impact Seniors and Persons with Disabilities, Nicolas J Sasso, Esq, 2018. The ABLE Account Under the Tax Cuts and Jobs Act, Anna Hayes, Commonwealth Independent Advisor, July 11, 2018