

With the new “Tax Cuts and Jobs Act of 2017” (TCJA), 2018 brings in a new year with new tax levels for federal estate and gift tax rates. Below are some key tax figures to note:¹

Key Tax Figure	2017	2018
Annual gift tax exclusion	\$14,000	\$15,000
Annual exclusion gift to non-citizen spouse	\$149,000	\$152,000
Estate tax exemption	\$5,490,000	\$11,200,000
Maximum estate tax rate	40%	40%
Gift tax exemption	\$5,490,000	\$11,200,000
Maximum gift tax rate	40%	40%
Generation-skipping transfer (GST) tax exemption	\$5,490,000	\$11,200,000
Maximum GST rate	40%	40%
Maximum income tax rate	39.6%	37%
Maximum capital gains rate	20%	20%
Maximum qualified dividend rate	20%	20%
Medicare surtax on net investment income	3.8%	3.8%
IRS per diem limit (daily) for long-term care benefits	\$360	\$360

Highlights from the new Tax Cuts and Jobs Act of 2017 (TCJA)

Income tax: Individuals with taxable income above \$500,000 (\$600,000 for couples) will be in the top tax rate of 37%, down from 39.6% in 2017. Note: the new individual income tax rates under TCJA are set to expire on 12/31/2025 and revert back to 2017 individual income tax rates.

- Trusts with taxable income over \$12,500 will also be subject to the highest tax rate (37%).

Capital gains and qualified dividends: The tax rate on such gains/dividends will be based on the following taxable incomes up to:

	0%	15%	20%
Individual	\$38,600	\$425,800	> \$425,800
Couples (filing Jointly)	\$77,200	\$479,000	> \$479,000
Estates and Trusts	\$2,600	\$12,700	> \$12,700

Estate, gift and GST tax exemptions: The exclusions for estate and gift tax exemptions remain unified and have increased to \$11.2 million per individual (\$22.4 million per couple) in 2018, up from \$5.49 million per individual (\$10.98 million per couple) in 2017. Note: the estate, gift and GST tax exemptions under TCJA are set to expire on 12/31/2025 and revert back to \$5.6 million per individual indexed for inflation.

Surtax for trusts and estates: Under IRC § 1411, taxable trusts will be subject to the 3.8% surtax designed as a Medicare contribution tax. This applies to the lesser of undistributed net investment income or the amount by which the trust’s adjusted gross income (AGI) exceeds the threshold indexed for inflation (currently \$12,500 in 2018). The surtax should not apply to the following types of trusts:

- Charitable remainder trusts
- Tax-exempt trusts
- Grantor trusts
- Simple trusts that distribute all income annually

Annual gift tax exclusion: This exclusion increases to \$15,000 (up from \$14,000 in 2017) per donee in 2018.

Contact us for more information.

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¹ Source: Congress.gov: <https://www.congress.gov/bill/115th-congress/house-bill/1/textBill> (Enrolled Bill).