

## The New Tax Reform Bill

By: Germi Cloud

Last month we saw a pass for a controversial tax reform bill. All over the news we saw dozens of different opinions on seeing it get finalized and approved, but for many of us the question remained: What does it even mean? Well, there are many answers to that question which depend on if you are a business, a married couple, a single filer etc. To discuss every change would take pages, so we've decided to highlight some key differences we will begin to see when filing our 2018 taxes one year from now.

### Income Bracket Changes

2018 (What You Would Have Paid)	Married (joint)
10%	0 to \$19,050
15%	\$19,050 to \$77,400
25%	\$77,400 to \$156,150
28%	\$156,150 to \$237,950
33%	\$237,950 to \$424,950
35%	\$424,950 to \$480,050
39.6%	\$480,050 and up

2018 (New Law)	Married (joint)
10%	0 to \$19,050
12%	\$19,050 to \$77,400
22%	\$77,400 to \$165,000
24%	\$165,000 to \$315,000
32%	\$315,000 to \$400,000
35%	\$400,000 to \$600,000
37%	\$600,000 and up

<http://www.businessinsider.com/tax-brackets-2018-trump-tax-plan-chart-2017-12>

One major component of the new tax plan is income bracket changes. Business Insider [1] detailed the differences in brackets and deductions that will take place for 2018's tax year. If you think your income bracket may have changed and have questions, be sure to talk with your CPA.

### Single and Joint Filer Changes

There are multiple minor changes that will take place for many households next tax season. All of these changes were detailed by Julia Horowitz of CNN Money.com [2] One change is that previously, someone would be able to claim up to a \$4,050 exemption on themselves, but that will no longer be available in 2018. Another change is the new limit on state and local tax deductions. Currently, you are able to deduct any amount, but the new bill limits that to \$10,000. Additionally, there are a number of changes that effect dependents in a household. The child tax credit would rise to \$2,000 for children under 17. It will also raise the eligible income for single parents to \$200,000 and married

couples to \$400,000, making the credit available for many more parents. Perhaps the most dramatic change is the removed penalty for not buying health insurance. Now the lack of health insurance should not add an additional fee/penalty to your taxes.

## **Corporate Tax Changes**

I won't dwell too long on the changes to corporate tax plans, because I know many readers are not the CFO's of major corporations, but there are certainly some important differences that we'll see corporations experience as well. Mainly, the bill is going to cut the corporate tax rate from its current 35% all the way down to 21%. There will also be a new mandate to prevent the abuse of pass-through tax break. This essentially means stricter rules on what is taxed as income and what is taxed as profits.

We'll certainly see a lot of changes coming into effect this 2018 tax season. For some there may not be too many changes, but for others it will paint a very different picture than what they will file for 2017. Be sure to speak with your CPA to know the differences between what impacts you and what doesn't. Also speak to your financial advisor to see if any of these tax reform changes may impact your retirement strategy.

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### References

[1] Cole, Lauren. Business Insider, "Here's how your tax bracket will change in 2018". January 22<sup>nd</sup>, 2018 <http://www.businessinsider.com/tax-brackets-2018-trump-tax-plan-chart-2017-12>

[2] Horowitz, Julia. CNN Money, "34 things you need to know about the incoming tax law". December 26<sup>th</sup>, 2017 <http://money.cnn.com/2017/12/20/news/economy/republican-tax-reform-everything-you-need-to-know/index.html>