

## *An Overview of the "TCJA" (Trump Reform): Impact to Individuals*

	<b>Pre-Reform 2018 Tax Rules</b>	<b>Post-Reform 2019 Tax Rules</b>																																																
<b>Individual tax rates</b>	<ul style="list-style-type: none"> <li>• Maximum tax rate is 39.6%</li> <li>• Rates associated with specific income brackets are designated below:</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum tax rate reduced to 37%</li> <li>• Rates associated with specific income brackets are designated below:</li> </ul>																																																
	<b>Taxable income</b>	<b>Taxable income (2022 Rates)</b>																																																
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 40%; text-align: center;">Single</th> <th style="width: 50%; text-align: center;">Married</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10%</td> <td style="text-align: center;">\$0-\$9,525</td> <td style="text-align: center;">\$0-\$19,050</td> </tr> <tr> <td style="text-align: center;">15%</td> <td style="text-align: center;">\$9,526 - \$38,700</td> <td style="text-align: center;">\$19,051 - \$77,400</td> </tr> <tr> <td style="text-align: center;">25%</td> <td style="text-align: center;">\$38,701 - \$93,700</td> <td style="text-align: center;">\$77,401 - \$156,150</td> </tr> <tr> <td style="text-align: center;">28%</td> <td style="text-align: center;">\$93,701 - \$195,450</td> <td style="text-align: center;">\$156,151 - \$237,950</td> </tr> <tr> <td style="text-align: center;">33%</td> <td style="text-align: center;">\$195,451 - \$424,950</td> <td style="text-align: center;">\$237,951 - \$424,950</td> </tr> <tr> <td style="text-align: center;">35%</td> <td style="text-align: center;">\$424,951 - \$426,700</td> <td style="text-align: center;">\$424,951 - \$480,050</td> </tr> <tr> <td style="text-align: center;">39.6%</td> <td style="text-align: center;">Over \$426,700</td> <td style="text-align: center;">Over \$480,050</td> </tr> </tbody> </table>		Single	Married	10%	\$0-\$9,525	\$0-\$19,050	15%	\$9,526 - \$38,700	\$19,051 - \$77,400	25%	\$38,701 - \$93,700	\$77,401 - \$156,150	28%	\$93,701 - \$195,450	\$156,151 - \$237,950	33%	\$195,451 - \$424,950	\$237,951 - \$424,950	35%	\$424,951 - \$426,700	\$424,951 - \$480,050	39.6%	Over \$426,700	Over \$480,050	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 40%; text-align: center;">Single</th> <th style="width: 50%; text-align: center;">Married</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10%</td> <td style="text-align: center;">\$0-\$10,275</td> <td style="text-align: center;">\$0-\$20,550</td> </tr> <tr> <td style="text-align: center;">12%</td> <td style="text-align: center;">\$10,276-\$41,775</td> <td style="text-align: center;">\$20,551 - \$83,550</td> </tr> <tr> <td style="text-align: center;">22%</td> <td style="text-align: center;">\$41,776 - \$89,075</td> <td style="text-align: center;">\$78,951 - \$178,150</td> </tr> <tr> <td style="text-align: center;">24%</td> <td style="text-align: center;">\$89,076-\$170,050</td> <td style="text-align: center;">\$178,151 - \$340,100</td> </tr> <tr> <td style="text-align: center;">32%</td> <td style="text-align: center;">\$170,051 - \$215,950</td> <td style="text-align: center;">\$340,101 - \$431,900</td> </tr> <tr> <td style="text-align: center;">35%</td> <td style="text-align: center;">\$215,951-\$539,900</td> <td style="text-align: center;">\$431,901 - \$647,850</td> </tr> <tr> <td style="text-align: center;">37%</td> <td style="text-align: center;">Over \$539,901</td> <td style="text-align: center;">Over \$647,851</td> </tr> </tbody> </table>		Single	Married	10%	\$0-\$10,275	\$0-\$20,550	12%	\$10,276-\$41,775	\$20,551 - \$83,550	22%	\$41,776 - \$89,075	\$78,951 - \$178,150	24%	\$89,076-\$170,050	\$178,151 - \$340,100	32%	\$170,051 - \$215,950	\$340,101 - \$431,900	35%	\$215,951-\$539,900	\$431,901 - \$647,850	37%	Over \$539,901	Over \$647,851
	Single	Married																																																
10%	\$0-\$9,525	\$0-\$19,050																																																
15%	\$9,526 - \$38,700	\$19,051 - \$77,400																																																
25%	\$38,701 - \$93,700	\$77,401 - \$156,150																																																
28%	\$93,701 - \$195,450	\$156,151 - \$237,950																																																
33%	\$195,451 - \$424,950	\$237,951 - \$424,950																																																
35%	\$424,951 - \$426,700	\$424,951 - \$480,050																																																
39.6%	Over \$426,700	Over \$480,050																																																
	Single	Married																																																
10%	\$0-\$10,275	\$0-\$20,550																																																
12%	\$10,276-\$41,775	\$20,551 - \$83,550																																																
22%	\$41,776 - \$89,075	\$78,951 - \$178,150																																																
24%	\$89,076-\$170,050	\$178,151 - \$340,100																																																
32%	\$170,051 - \$215,950	\$340,101 - \$431,900																																																
35%	\$215,951-\$539,900	\$431,901 - \$647,850																																																
37%	Over \$539,901	Over \$647,851																																																
<b>Alternative minimum tax (AMT)</b>	<ul style="list-style-type: none"> <li>• Exemption amounts of \$86,200 (married) and \$55,400 (single)</li> <li>• Phase-out of exemption amount begins at \$164,100 (married) and \$123,100 (single)</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption amounts increased to \$111,700 (married) and \$71,700 (single)</li> <li>• Phase-out of exemption amount begins at \$1,020,600 (married) and \$510,300 (single)</li> </ul>																																																
<b>Individual standard deduction/ personal exemptions</b>	<ul style="list-style-type: none"> <li>• Standard deduction is \$13,000 (married) and \$6,500 (single)</li> <li>• Personal exemption of \$4,150 phased out for higher incomes</li> </ul>	<ul style="list-style-type: none"> <li>• Standard deduction nearly doubled \$24,400 (married) \$12,200(single), \$18,350 (HOH) + \$1,650/\$1,300 each for taxpayers 65+ or blind</li> <li>• Personal exemptions repealed at all income levels</li> </ul>																																																

**Pre-Reform 2018 Tax Rules****Post-Reform 2019 Tax Rules**

<b>Itemized deductions</b>	<b>Pre-Reform 2018 Tax Rules</b>	<b>Post-Reform 2019 Tax Rules</b>
	<ul style="list-style-type: none"> <li>• Deductions allowed but subject to the “PEASE limitation,” which reduces availability of itemized deductions at income levels starting at \$320,000 (married) and \$266,700 (single)</li> </ul>	<ul style="list-style-type: none"> <li>• Individual deduction for state and local taxes (SALT) for income, sales and property is limited in the aggregate to \$10,000 (married and single filers) and \$5,000 (married filing separately)</li> <li>• “PEASE limitation” (including for charitable contributions) is repealed</li> <li>• Most miscellaneous itemized deductions that were subject to the 2% of AGI floor will no longer be allowed (e.g. tax preparation and investment expenses)</li> </ul>
<b>Capital gain /qualified dividend rate</b>	<ul style="list-style-type: none"> <li>• Maximum tax rate on long-term capital gains and qualified dividend income (before 3.8% net investment income tax) is 20%</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged: <ul style="list-style-type: none"> <li>- 0% for those in 10% &amp; 12% brackets</li> <li>- 15% for those in 22%-35% brackets</li> <li>- 20% for those in 37% bracket</li> </ul> </li> </ul>
<b>Medical expense deduction</b>	<ul style="list-style-type: none"> <li>• Floor of 10% of AGI before deduction can be taken</li> </ul>	<ul style="list-style-type: none"> <li>• Floor reduced for tax years 2017 and 2018. 10% floor for 2019</li> </ul>
<b>Cost of securities</b>	<ul style="list-style-type: none"> <li>• Investors have the ability to “specifically identify” which tax lot of a security is sold</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged</li> </ul>
<b>Mortgage interest</b>	<ul style="list-style-type: none"> <li>• Individuals are generally allowed an itemized deduction for interest on <ol style="list-style-type: none"> <li>1. Principal residence and second residence mortgages up to \$1,000,000 (married) or \$500,000 (single) (limit applies on a combined basis)</li> <li>2. Home Equity Line of Credit (HELOC) up to \$100,000</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Individuals are generally allowed an itemized deduction for interest on principal residence and second residence mortgages up to a combined \$750,000</li> <li>• Pre 12/16/17 mortgages are grandfathered and new purchase money mortgages may be grandfathered if the purchase contract is dated before 12/16/17 and other conditions are met</li> <li>• Refinancing of grandfathered mortgages are grandfathered, but not beyond the original mortgage’s term/amount (some exceptions apply for “balloon payment” mortgages)</li> <li>• Interest on a HELOC is no longer deductible</li> </ul>

	<b>Pre-Reform 2018 Tax Rules</b>	<b>Post-Reform 2019 Tax Rules</b>
<b>Capital gain exclusion for primary residence</b>	<ul style="list-style-type: none"> <li>Allows individuals to exclude gain of up to \$500,000 (for joint filers) from the sale of a primary residence</li> <li>Taxpayer must own and use the house as primary residence for 2 out of the previous 5 years and exemption can be used only once every 2 years</li> </ul>	<ul style="list-style-type: none"> <li>Unchanged</li> </ul>
<b>Like-kind exchanges</b>	<ul style="list-style-type: none"> <li>Allows for the disposal of an asset and the acquisition of another replacement asset without generating a current tax liability from the gain on the sale of the first asset</li> <li>Applies to like-kind exchanges of real property as well as certain categories of personal property</li> </ul>	<ul style="list-style-type: none"> <li>Limits applicability to like-kind exchanges of real property that is not held primarily for sale</li> </ul> <p>**This does not expire in 2025</p>
<b>Section 529 plans</b>	<ul style="list-style-type: none"> <li>Distributions may be used for expenses relating to higher (post-secondary) education</li> </ul>	<ul style="list-style-type: none"> <li>In addition to higher (post-secondary) education, distributions from 529 plans of up to \$10,000/year per student can be used for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school</li> </ul> <p>**This does not expire in 2025</p>
<b>Pass-through deduction</b>	<ul style="list-style-type: none"> <li>Income received from partnerships, S corporations, or sole proprietorships is passed-through to the owner's individual tax returns, where it is taxed as ordinary income</li> </ul>	<ul style="list-style-type: none"> <li>There is a new 20% deduction for qualified business income from a partnership, S corporation, or sole proprietorship</li> </ul>
<b>Charitable deduction changes</b>	<ul style="list-style-type: none"> <li>Cash gift to public charities is deductible as long as it doesn't exceed <b>50%</b> of the taxpayers Adjustable Gross Income (AGI)</li> <li>80% of value spent on university athletics seating rights can be deducted</li> </ul>	<ul style="list-style-type: none"> <li>Cash gift to public charities is deductible as long as it doesn't exceed <b>60%</b> of the taxpayers Adjustable Gross Income (AGI)</li> <li>80% deduction for university athletic seating rights is repealed</li> </ul>
<b>Gift/estate/generation-skipping transfer (GST) tax exemption</b>	<ul style="list-style-type: none"> <li>Estate, gift and GST tax exemptions are each \$5.6 million per US domiciliary</li> </ul>	<ul style="list-style-type: none"> <li>Doubles the estate, gift and GST tax exemptions to \$11.18 million per US domiciliary</li> <li>Like most individual provisions, the exemptions sunset after 2025 and revert back to the law in effect for 2017 with inflation adjustments; possibility for "clawback" at death if law is not changed</li> </ul>

## Pre-Reform 2018 Tax Rules

## Post-Reform 2019 Tax Rules

<b>Child Tax Credit</b>	<ul style="list-style-type: none"><li>• \$1000/qualified child</li><li>• Phase-out of credit begins at \$75,000 (single) and \$200,000 (married)</li></ul>	<ul style="list-style-type: none"><li>• Increases to \$2,000/qualified child, with \$1,400 being refundable</li><li>• Phase-out of credit begins at \$110,000 (single) and \$400,000 (married)</li></ul>
<b>Individual mandate / Health Insurance</b>	<ul style="list-style-type: none"><li>• Requires most Americans to purchase health insurance coverage; taxpayers must submit proof of healthcare coverage with their tax return or pay a penalty</li></ul>	<ul style="list-style-type: none"><li>• Individual mandate is repealed</li></ul> <p>**This does not expire in 2025</p>
<b>Future Inflation Adjustments</b>	<ul style="list-style-type: none"><li>• In general, tax brackets and many other tax code limits are inflation adjusted using Consumer Price Index – Urban (or CPI-U)</li></ul>	<ul style="list-style-type: none"><li>• Many but not all of the indexed limits would now be indexed using Chained-CPI-U, which generally leads to slightly slower cost of living adjustments each year</li></ul> <p>**This does not expire in 2025</p>

## Other Pertinent Information:

- 2022 Social Security Wage Base: \$ 132,900
- 2023 Social Security Wage Base: \$ 147,000

- Standard Mileage Rates:	1/1/22-6/30/22	7/1/22-12/31/22	2023
Business	.585 per mile	.625 per mile	.625 per mile
Charitable	.14 per mile	.14 per mile	.14 per mile
Medical	.18 per mile	.22 per mile	.22 per mile
Moving	.18 per mile	.22 per mile	.22 per mile

## NC Related Highlights:

- 2022: Flat Individual Tax Rate 4.999%
- 2023: Flat Individual Tax Rate 4.75%

- Standard Deduction:	2022	2023
MFJ	25,900	27,700
HOH	19,400	20,800
Single	12,950	13,850
MFS	12,950	13,850

- New Child deduction of \$0 - \$2,500 per child for taxpayers within the \$0 - \$120,000 income range [ Replaced the \$100 Child Tax Credit]