

2017 Tax Reform Legislation: What You Should Know

Updated for Tax Year 2017



OVERVIEW

Congress has passed the largest piece of tax reform legislation in more than three decades. The bill will affect the taxes of most taxpayers, but one key point to keep in mind is that for most people, the bill won't affect your taxes for 2017 (the one you file in 2018).



By David Williams, Chief Tax Officer, Intuit & Executive Director, Intuit Tax and Financial Center

If you're wondering how you're affected, not to worry, we have your back. We're doing the work to make sure our products are up to date and that you can use them to file your taxes with complete confidence.

That said, many folks are wondering what's in the bill and how it might affect them. Here's a recap of some of the major tax provisions in the new tax bill and how they may impact you.


Lower Tax Rates and Changed Income Ranges

The bill retains the seven tax brackets found in current law, but lowers a number of the tax rates. It also changes the income thresholds at which the rates apply.


- The current brackets are: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%
- The new brackets will be: 10%, 12%, 22%, 24%, 32%, 35% and 37%

The income thresholds at which these brackets kick in have changed, as well.

For married joint filers:

 MARRIED JOINT FILERS			
Current Tax Brackets	Current Thresholds	New Tax Brackets	New Thresholds
10%	\$0 to \$18,650	10%	\$0 to \$19,050
15%	\$18,651 to \$75,900	12%	\$19,051 to \$77,400
25%	\$75,901 to \$153,100	22%	\$77,401 to \$165,000
28%	\$153,101 to \$233,350	24%	\$165,001 to \$315,000
33%	\$233,351 to \$416,700	32%	\$315,001 to \$400,000
35%	\$416,701 to \$470,700	35%	\$400,001 to \$600,000
39.6%	More than \$470,700	37%	More than \$600,000

For single filers:



SINGLE FILERS			
Current Tax Brackets	Current Thresholds	New Tax Brackets	New Thresholds
10%	\$0 to \$9,325	10%	\$0 to \$9,525
15%	\$9,326 to \$37,950	12%	\$9,526 to \$38,700
25%	\$37,951 to \$91,900	22%	\$38,701 to \$82,500
28%	\$91,901 to \$191,650	24%	\$82,501 to \$157,500
33%	191,651 to \$416,700	32%	\$157,501 to \$200,000
35%	\$416,701 to \$418,400	35%	\$200,001 to \$500,000
39.6%	More than \$418,400	37%	More than \$500,000

Alternative Minimum Tax Exemptions Increased

The bill also eases the burden of the individual [alternative minimum tax \(AMT\)](#) by raising the income exempted from \$84,500 (adjusted for inflation) to \$109,400 married filing jointly and from \$54,300 (adjusted for inflation) to \$70,300 for single taxpayers, so fewer taxpayers will pay it.

Tax Relief for Individuals and Families

Increased standard deduction:

The new tax law nearly doubles the standard deduction amount. Single taxpayers will see their standard deductions jump from \$6,350 for 2017 taxes to \$12,000 for 2018 taxes (the ones you file in 2019).

Married couples filing jointly see an increase from \$12,700 to \$24,000. These increases mean that fewer people will have to itemize. Today, roughly 30% of taxpayers itemize. Under the new law, this percentage is expected to decrease.

Increased Child Tax Credit:

For families with children the [Child Tax Credit](#) is doubled from \$1,000 per child to \$2,000. In addition, the amount that is refundable grows from \$1,100 to \$1,400. The bill also adds a new, non-refundable credit of \$500 for dependents other than children. Finally, it raises the income threshold at which these benefits phase out from \$110,000 for a married couple to \$400,000.

Eliminations or Reductions in Deductions

Personal and dependent exemptions:

The bill eliminates the personal and dependent exemptions which are currently \$4,050 for 2017 and were expected to increase to \$4,150 in 2018.

State and local taxes/Home mortgages:

The bill limits the amount of state and local property, income, and sales taxes that can be deducted to \$10,000. In the past, these taxes have generally been fully tax deductible.

The bill also caps the amount of mortgage indebtedness on new home purchases on which interest can be deducted at \$750,000 down from \$1,000,000 in current law.

Health care:

The bill eliminates the tax penalty for not having health insurance after December 31, 2018. It also temporarily lowers the floor above which out-of-pocket medical expenses can be deducted from the current law floor of 10% to 7.5% for 2017 and 2018

So for 2017 and 2018, you can deduct medical expenses that are more than 7.5% of your adjusted gross income as opposed to the higher 10%.

Self-employed (contractors, freelancers, sole proprietors) and small businesses:

The bill has a myriad of changes for business. The biggest includes a reduction in the top corporate rate to 21%, a new 20% deduction for incomes from certain type of “pass-through” entities (partnerships, S Corps, sole proprietorships), limits on expensing of interest from borrowing, almost doubling of the amount small businesses can expense from the 2017 Section 179 amount of \$510,000 to \$1,000,000, and eliminates the corporate alternative minimum tax (AMT).

TurboTax Has You Covered

Don't worry about memorizing these tax changes the majority of which are for 2018 taxes which you file in 2019. TurboTax has you covered and will be up to date with the latest tax laws.

If you have more questions while doing your taxes, you can connect live via one-way video to a TurboTax Live CPA or Enrolled Agent to get your tax questions answered and have your return reviewed so you can sign it and file.

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David Williams helps lead Intuit's tax businesses, including TurboTax, the largest do-it-yourself tax software solution in the US, as well as Intuit's professional products used by more than one hundred thousand tax firms. David also works across Intuit businesses, and closely with Intuit's Government Affairs department, to shape their tax strategies, engage with external stakeholders and partners, and support industry initiatives.

Prior to joining Intuit, David had a long career in tax policy and tax administration on Capitol Hill and at the IRS. He served fourteen years as a US Senate staffer working primarily on tax issues for the Senate Budget Committee and for Senator Bill Bradley. During his thirteen years at the IRS he held a number of positions including Chief Communications Officer, Director of the Earned Income Tax Credit office, Director of Electronic Tax Administration and Director of the Return Preparer Office.

David holds a Master of Public Policy degree from the John F. Kennedy School of Government at Harvard University, and a BS in Business Administration from Colorado State University.