

Tax Cuts and Jobs Act - Selected Items from new tax law

Estimated that 80% of filers will get a tax cut, 5% will increase, 15% will not change

Standard Deduction generally doubles to \$12,000 Single/\$24,000 Married

About 28 million less filers will need to itemize deductions like mortgage interest, charitable deductions, and state and local taxes

Eliminated the Personal Exemption (effectively added to the standard deduction)

Cap on State and Local Tax deduction at \$10,000

Child tax credit doubles to \$2000 per eligible child

Investment Rates (Long-term Capital Gains and Qualified Dividends):

Single	Married/Joint	Rate
0-\$38,600	0-\$77,200	0
\$38,601 - 425,800	\$77,201 - 479,000	15%
Over \$425,000	Over \$479,000	20%

Net Investment Income Tax (NIIT) to supplement the Affordable Care Act: \$200,000 Single and \$250,000 Joint +3.8% on investment, .9% on wages

\$200,000 Single and \$250,000 Joint +3.8%

Repealed the Affordable Care Act Individual Mandate in 2019

Exemption for Capital Gain on the Sale of a Primary residence remains \$250,000 Single, \$500,000 Married

Mortgage Interest deduction capped at \$750,000 for new mortgages on primary and second homes combined. The Home Equity Line deduction is eliminated unless used for home improvement and within the \$750,000 limit.

529 plans expanded to include K-12 up to \$10,000/year, and up to \$15,000/year may be moved from a 529 to a 529 ABLE account (which may be subject to State Medicare clawback at death)

Charitable IRA direct distributions still allowed over 70 ½ up to \$100,000

Estate Tax Exemption generally doubles to over \$11 million

Portability rules remain

Step up in basis at death rules remain

Cannon Financial Institute

Cannon is recognized as one of the leading professional development firms. We were born of this industry and have spent more than half a century consulting and educating individuals and organizations.

Schools

Learn at one of our six locations spread throughout the continental U.S. or anywhere you are, via our LiveOnline™ virtual classroom or recorded sessions. Whether in person or online, Cannon courses are not your typical lecture hall experience. Our instructors are coaches, our curriculum is contextual, and our web-based offerings are as expansive as your need for knowledge.

Enterprise Training

Many institutions work with Cannon on an enterprise level. On your terms and at your location, customized instruction can be as brief as a one-hour keynote address or as extensive as a multi-year change management initiative. We partner with you to create and deploy a professional development experience that is tailored to your specific goals and objectives.

eLearning

Cannon has built an impressive library of online courses to complement its classroom experience in critical areas of study. Get all the benefits of Cannon's content anytime and anywhere you're connected to the Internet.

Audio Programs

As the financial industry evolves, you can rely on Cannon's audio programs for insight on prevalent issues. You will be able to learn a great deal while managing your valuable time. Cannon offers the following titles:

- **Growing Your Business™ Audio Series**
- **Concepts and Analyses of Trusts and Estate Planning™ Audio Series**
- **13 Wealth Management Issues™ Audio Series**

Publications

Cannon's publications serve as navigation tools throughout the ever-changing financial services industry. Professionals devoted to continual learning will value these publications as Cannon equips them to better serve their clients. These publications include the following titles:

- **Cannon Concepts for Professionals**
- **Performance Coaching**
- **Tools & Techniques of Estate Planning**
- **Tools & Techniques of Investment Planning**
- **Tools & Techniques of Employee Benefit and Retirement Planning**
- **Corporate Trust Answer Book**
- **The Advisor's Guide to the DOL Fiduciary Rule**
- **Affluent for Life**

Teleconferences

Cannon's Estate Planning Teleconference Series is a convenient way to stay fresh and connected to the latest issues and strategies facing the Estate Planning industry. Each month, several thousand professionals use the teleconference to earn CE credits, as well as take the opportunity to invite Centers of Influence to maximize relationships.



2018 Federal Tax Guide



CANNON
FINANCIAL INSTITUTE

**To learn more, call Cannon at 706-353-3346
or visit www.cannonfinancial.com**

Phone 706-353-3346
Fax 706-353-3994

www.cannonfinancial.com

Income

FEDERAL INDIVIDUAL INCOME TAX RATES - 2018

Tax Rate	Single Individuals	Married/ Joint	Married/ Separate	Head of Household
10% on taxable income from \$0 up to:	\$9,525	\$19,050	\$9,525	\$13,600
12% on next taxable income up to:	38,700	77,400	38,700	51,800
22% on next taxable income up to:	82,500	165,000	82,500	82,500
24% on next taxable income up to:	157,500	315,000	157,500	157,500
32% on next taxable income up to:	200,000	400,000	200,000	200,000
35% on next taxable income up to:	500,000	600,000	300,000	500,000
37% on taxable income above:	500,000	600,000	300,000	500,000

Taxpayers with income over \$200,000 (individual) or \$250,000 for married filing jointly are subject to an additional 3.8% tax on net investment income, which includes, but is not limited to, interest, dividends, capital gains, rental, and royalty income.

STANDARD DEDUCTIONS - 2018

Status	Single Individuals	Married/ Joint	Married/ Separate	Head of Household
Basic	\$12,000	\$24,000	\$12,000	\$18,000
65 and Over	13,600	25,300 (one) 26,600 (both)	13,300	19,600
Blind	13,600	25,300 (one) 26,600 (both)	13,300	19,600
65 and Over and Blind	15,200	26,600 (one) 27,900 (both)	14,600	21,200

EXEMPTIONS / EXCLUSIONS

EXEMPTIONS / EXCLUSIONS	2017	2018
Individual Personal Exemption	\$4,050	*\$0
Estates	600	600
Simple Trusts (required to distribute all income)	300	300
Complex Trusts (may accumulate income)	100	100

*2018, merged with standard deduction (see Standard and Deduction table above)

KIDDIE TAX - 2018

Unearned income for children under age 19, or full-time students under age 24, is as follows:

Income	Tax
First \$1,050	Tax Free
Next \$1,050	Child's Rate
Over \$2,100	Trust Rate (see below)

INCOME TAX RATES ON ESTATES AND TRUSTS - 2018

Tax Rate	Limit
10% on Taxable Income from \$0 up to:	\$2,550
24% on next Taxable Income up to:	9,150
35% on next Taxable Income up to:	12,500
37% on Taxable Income above:	12,500

Estates and trusts with adjusted gross income over the dollar amount at which the highest tax bracket begins (\$12,500 for 2018) are subject to the 3.8% Net Investment Income Tax on undistributed Net Investment Income.

Estate & Trust

ANNUAL EXCLUSION - 2018

Exclusions	Amount
Individual	\$15,000
Non-Citizen Spouse	\$152,000

To qualify for the annual exclusion a gift must be made with a "present interest" to the donee. Present interests include gifts made outright, or into certain trusts, like minor's trusts, simple trusts, and trusts with Crummey withdrawal powers.

GIFT, ESTATE, and GENERATION SKIPPING EXEMPTIONS

Year	Basic Exclusion Amount	Maximum Rate
2011	5,000,000	35%
2012	5,120,000	35%
2013	5,250,000	40%
2014	5,340,000	40%
2015	5,430,000	40%
2016	5,450,000	40%
2017	5,490,000	40%
2018	*11,200,000	40%

APPLICABLE EXCLUSION AMOUNT

The Applicable Exclusion Amount is the Basic Exclusion Amount plus any Deceased Spousal Unused Exclusion (DSUE), often referred to as 'portability'. DSUE applies for GIFT and ESTATE, but not GENERATION SKIPPING.

PORTABILITY

Portability is an expression used to describe the most recently pre-deceased spouse's unused exemption (DSUE) being available to the surviving spouse's gifts or estate in addition to their own Basic Exclusion Amount.

GENERATION-SKIPPING TRANSFER TAX

A generation-skipping transfer (GST) tax is imposed on gifts or bequests to persons two or more generations below the transferor ("skip persons") upon the occurrence of one of three events: a "direct skip," "taxable termination," or "taxable distribution." GST tax is in addition to any gift tax or estate tax that may be due. Transferors have a \$11,200,000 lifetime GST tax exemption from 2018-2025, and it is indexed for inflation. ***Due to the change in indexing to chained CPI, this figure may be \$11,180,000. (IRS guidance is necessary)**

To determine the tax on generation-skipping transfers, multiply the maximum federal estate tax rate (40%) by the "inclusion ratio" to get the "applicable rate". Multiply that rate by the amount of the skip.

The inclusion ratio is determined as follows:

$$\text{Inclusion Ratio} = 1 - \frac{\text{GST exemption allocated}}{\text{Net Transfer}}$$

Retirement

SOCIAL SECURITY / MEDICARE

Social Security or Medicare	2017	2018
Cost of Living Adjustment	0.30%	2.0%
Social Security Wage Base (OASDI only)	\$127,200	\$128,400
Medicare Wage Base	*\$200,000	*\$200,000
Social Security Tax Rate	6.20%	6.20%
Medicare Tax Rate	*1.45%	*1.45%

*Depending on the amount of taxable wages, the combined Social Security and Medicare employee tax rate will range from 7.65% (6.20% + 1.45%) to 8.55% (6.2% + 1.45% + 0.9% on Medicare wages in excess of \$200,000 if the employee is a high-income earner). The combined employer rate will remain 7.65%.

BENEFIT, CONTRIBUTION AND COMPENSATION LIMITS FOR RETIREMENT PLANS

The Internal Revenue Code (IRC) provides limitations on benefits and contributions under retirement plans. The IRC also limits the amount of compensation that can be considered when computing benefits and contributions. These limits are subject to periodic adjustment for cost-of-living increases.

Type or Limit	2017	2018
Annual benefit for defined benefit plans	\$215,000	\$220,000
Annual limit for defined contribution plans	54,000	55,000
Limit on exclusions for elective deferrals to 401(k) and other qualified plans	18,000	18,500
• 401(k) Catch-up amount	6,000	6,000
Maximum annual compensation for each employee that can be taken into account for any plan year	270,000	275,000
SIMPLE Retirement Accounts	12,500	12,500
• SIMPLE Catch-up amount	3,000	3,000
IRA Contribution	5,500	5,500
• IRA Catch-up amount	1,000	1,000
HSA annual contribution limit – Single Coverage	3,400	3,450
HSA annual contribution limit – Family Coverage	6,750	6,900

The information appearing in this pamphlet is provided for general educational and guidance purposes only. While information is obtained from sources deemed to be reliable, accuracy cannot be assured. Such information is not intended to provide tax, business, investment or legal advice to any individual or entity.

Provided free of charge for educational use by Cannon Financial Institute, Inc.
Please visit our Internet site for additional useful financial information.

www.cannonfinancial.com