



The New Tax Law. What you need to know.

The new tax law went into effect on January 1, so you may be wondering what affect it will have on you personally. And if you are a business owner how the new laws will impact your company as well. We will cover some of the major changes here that may affect you. However, we recommend you consult with a tax professional with regard to your personal situation and your business (if applicable).

Most provisions of the new law went into effect on January 1, 2018. This will not affect your filing for 2017 (the taxes you will file in April 2018). There are some changes that will not be in acted this calendar year. For instance, changes to tax deductions for alimony payments will only kick in for divorces that are finalized after December 31, 2018. Also, the penalty for not having health insurance will not be eliminated until 2019.

For corporations, the changes are permanent but most of the changes that affect individual filers will expire in 2026. This could be extended beyond this but it would have to be done so by a future congress.

The Alternative Tax Minimum (AMT) calculation

As the name implies, AMT imposes a minimum tax on the amount of your taxable income above a designated exemption. The tax was introduced to make sure people with higher incomes pay a minimum amount of tax. Otherwise they might escape income tax entirely by taking advantage of deductions and credits.

The actual calculation has not changed, however the amounts under the new bill have been modified. It raises the amount of income that would be exempt for singles up to \$70,300 (previously \$54,300). A married couple filing jointly will see the AMT increase to \$109,400 (previously \$84,500).

Mortgage deduction changes

The simple explanation of this change is that your mortgage deduction is not the same as previous years. You will be allowed to deduct interest on debt up to \$750,000 on a new mortgage (down from \$1 million). Homeowners who already have a mortgage will not be affected by the change.

You may no longer be able to deduct all state and local property taxes plus income or sales taxes. The new law allows individuals to deduct up to \$10,000 in property taxes and state and local income or sales taxes. When you sell your home, joint filers will still be able to exclude up to \$500,000 in capital gains, or \$250,000 for single filers.



Students

Student loan interest deduction and the graduate student tuition waiver are still in place.

S Corporations, LLCs and Partnerships

The pass-through provision is complex and tax experts are still working their way through all of the implications to business owners. It's important to have clarification from your tax professional before making decisions that will impact your business in 2018 and beyond.

We do know that the tax burden on owners who pay their business taxes through individual returns will be lowered to 20 percent. This deduction will not be available to anyone in a service business unless their taxable income is less than \$315,000 if married, or \$157,000 if single.

The other main component of the tax bill for corporations is lowering the corporate tax rate from 35 to 21 percent. Lawmakers have stated that this will make the United States more competitive to corporations in the global economy.

The new tax reform law is very comprehensive and we recommend you consult with your tax preparer and financial advisor prior to making any changes. As an independent, local financial institution, First American State Bank is committed to providing resources to our customers to support their financial wellbeing.

(info graphic)

New Tax Rates as of January 1, 2018

Rate	Individuals	Married Filing Jointly
10%	Up to \$9,525	Up to \$19,050
12%	\$9,526 to \$38,700	\$19,051 to \$77,400
22%	38,701 to \$82,500	\$77,401 to \$165,000
24%	\$82,501 to \$157,500	\$165,001 to \$315,000
32%	\$157,501 to \$200,000	\$315,001 to \$400,000
35%	\$200,001 to \$500,000	\$400,001 to \$600,000
37%	over \$500,000	over \$600,000