**How the Tax Reforms Will Take Effect**

*Some of the impact of the Tax Cuts & Jobs Act will be felt later than January 1.*

Provided by Richard Moore

President Donald Trump signed the Tax Cuts & Jobs Act into law on December 22, and on January 1, some key details of the Internal Revenue Code will abruptly change. 1

**There will be night-and-day change, both figuratively and literally.**On January 1, the federal estate tax exemption will double; the standard federal income tax deduction will nearly double. The top corporate income tax rate will fall from 35% to 21%. Most business owners who make pass-through income will be able to deduct the first 20% of that income tax-free. 2,3

**Workers may not see changes to their paychecks until February.**This is because the Internal Revenue Service needs to release new withholding tables. Those tables are slated to appear in January. 2

**Two provisions of the TCJA may also apply retroactively for some taxpayers.**A larger federal tax deduction for out-of-pocket medical expenses is allowed not just for 2018, but also for 2017. Taxpayers who itemize may write off qualifying medical expenses exceeding 7.5% of income in 2017, instead of 10% of income. Businesses that bought new capital equipment after September 27, 2017 will be permitted to fully and immediately expense those purchases for the 2017 tax year.2

**Two other changes will not happen until January 1, 2019.**On that day, the individual health insurance mandate is scheduled to be repealed; no taxpayer will face a penalty for not having health coverage. Another delayed change pertains to divorcing couples. Taxpayers who divorce in 2019 and succeeding years will not able to deduct alimony payments. 2

**Many of the changes authorized by the passage of the TCJA could expire after 2025.**Congress may or may not renew them at the end of that year.  The reduction of the corporate tax rate to 21% is a notable exception - that change is permanent. 2,3

**This is a good time to plan your 2018 tax strategy.**Talk to your CPA or tax preparer soon, to see how you might take advantage of the adjustments to federal tax law.

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**Citations.**

1 - cnn.com/2017/12/22/politics/trump-sign-tax-bill-mar-a-lago/index.html [12/22/17]

2 - nytimes.com/interactive/2017/12/21/us/politics/will-tax-plan-affect-my-2017-taxes.html [12/21/17]

3 - cbsnews.com/news/gop-tax-bill-how-the-new-tax-plan-will-affect-you/ [12/17/17]