

Summary: 2017 Tax Cuts and Jobs Act

- The tax law has important implications for major corporations, small businesses, and individual taxpayers.
- The bill may shift the trajectory for economic growth, the federal budget, monetary policy, and corporate profits.

	Current Law	Final Bill	
INDIVIDUAL	Top individual tax rate	39.6%	37% (until 2025)
	Married filing jointly tax brackets and rates	10%: \$0; 15%: \$18,650; 25%: \$75,900; 28%: 153K; 33%: \$233K; 35%: 417K; 39.6%: \$471K	10%: \$0; 12%: \$19,051; 22%: \$77,401; 24%: 165K; 32%: \$315K; 35%: 400K; 37%: \$600K
	Estate tax exemption	\$5.5MM/person	\$11MM/person
	State and local tax (SALT)	Deductible	Mostly eliminates; caps property tax/income up to \$10,000
	Mortgage interest deduction	Deductible up to \$1MM mortgage + \$100,000 home equity	Deductible up to \$750,000 of new mortgages; no home equity
	Student loan interest deduction	Deductible	No change
	Personal exemption	\$4,150/person	Eliminates
	Standard deduction	\$6,500 single; \$13,000 married	\$12,000 single; \$24,000 married
	Individual alternative minimum tax (AMT)	Includes a \$86,200 exemption + \$164,000 phase-out	Increases exemption to \$109,000 + phase-out to \$1MM
	Child tax credit	\$1,000/child	\$2,000/child; refundable up to \$1,400
	Obamacare individual mandate	Penalty of \$695 or 2.5% income for no health insurance	Repeals
	Requires first in, first out (FIFO) upon sale	Flexibility to optimize tax harvesting	No change (i.e., no FIFO requirement)
	Municipal interest tax exemption	Muni interest exempt from federal taxes	No change
	Municipal private activity bonds	Tax-exempt bonds for specific public/private projects	No change
	Advanced refunding bonds	Allowable	Eliminates
Capital gains	Long term: 0/15/20% (income dependent); short term: taxed as ordinary income	No change	
CORPORATE	Corporate tax rate	35%	21% (permanent)
	Corporate tax rate starts	Not applicable	2018
	Top pass-through rate	39.6%	20% deduction for certain income until 2025 (with caveats)
	Corporate AMT	20% tax to broadly defined alternative income	Repeals
	Expensing	50% expensing through 2020	100% expensing through 2023
	Interest expense deductibility	No limit	Limits to 30% EBITDA until 2021; 30% EBIT thereafter
	Net operating losses	Allows carry backs 2 years; carry forwards up to 20 years	Eliminates carry backs; indefinite carry forwards (with caveats)
	Taxation of foreign income	Worldwide (though only taxable when repatriated)	Territorial; 100% exemption
	Deemed one-time repatriation tax	Not applicable	15.5%; 8% illiquid
	Carried interest	1-year holding period (minimum)	3-year holding period (minimum)
	Minimum taxes from income	Not applicable	10% tax on high-return income; increase to 12.5% in 2025

Source: LPL Research, Joint Committee on Taxation, Senate Finance Committee, House Ways and Means Committee, PIMCO 12/26/17

All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

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