

Larry's Tax Law

Decoding the Tax Cuts and Jobs Act – Part VII: Family Matters and Major Events in the Lives of Individuals

By Larry Brant and Steven Nofziger on 3.8.18 | Posted in Legislation, Tax Laws, Tax Planning, Tax Procedure

INTRODUCTION

The Tax Cuts and Jobs Act (“TCJA”) creates the need for tax planning with respect to several major life-changing activities individuals may encounter, including marriage, divorce, home ownership, casualty losses, medical expenses and parenting. More specifically, the TCJA makes major changes to the existing framework of personal exemptions and itemized deductions, the child tax credit, the tax treatment of alimony and spousal maintenance payments made as a result of divorce, and the alternative minimum tax (“AMT”).

The primary focus of this blog post is the provisions of the TCJA that significantly impact families and individuals. Many of these provisions have been exhaustively reviewed by other commentators in the past several weeks. In those instances, our discussion is brief. Rather, we decided to place the bulk of our discussion on the less obvious provisions of the TCJA that may have significant impact on families and individuals.

PART A – FAMILY MATTERS: PERSONAL EXEMPTIONS AND WITHHOLDING; THE CHILD TAX CREDIT AND ALIMONY

OVERVIEW

This section of the post focuses on several key changes to the Code that significantly impact families and any related tax planning. These changes include the elimination of personal exemptions, changes to tax withholding, the expanded child tax credit, and modifications to the treatment of alimony and spousal maintenance payments incident to divorce.

PERSONAL EXEMPTIONS AND WITHHOLDING

Background/Prior Law

Under prior law, a personal exemption deduction (set forth in IRC § 151) was generally available for a taxpayer, his or her spouse, and each dependent child. The amount was set by statute and adjusted annually for inflation. For 2017, the personal exemption was \$4,050 for each

qualifying person. In general, an individual could calculate his or her taxable income by subtracting from adjusted gross income the applicable personal exemptions (as well as either the standard deduction or applicable itemized deductions). Individuals could use the number of applicable personal exemptions to determine the amount to be withheld from employee wages based on tables published by the IRS.

A similar exemption applied to certain trusts and estates, though the amount varied depending on the type of trust or estate: **Type of Trust/Estate Amount of Exemption** Estates \$600
Qualified Disability Trusts Same as for individuals (\$4,050 in 2017) Trusts required to distribute all of their income currently \$300 All other Trusts \$100

TCJA

The TCJA eliminates the personal exemption under IRC § 151 for tax years starting after December 31, 2017 and continuing through December 31, 2025. In other words, the personal exemption amount is reduced to zero until 2026, when it returns to life.

Despite doing away with the personal exemption (at least until 2026), Congress preserved other references to IRC § 151 in the Code. For example, the child tax credit (discussed below) is available to taxpayers who would be allowed a deduction under IRC § 151. Even though that deduction no longer exists, the qualifications contained in IRC § 151 still apply for purposes of determining whether a taxpayer is entitled to the child tax credit.

The TCJA makes corollary changes to the withholding requirements to reflect the fact that personal exemptions no longer exist. Instead of withholding based on personal exemptions, employees now need to withhold based on other criteria, such as eligibility for the child tax credit (discussed below), whether the taxpayer files jointly or individually, and whether the taxpayer itemizes or uses the standard deduction. The IRS has recently issued some initial guidance, including a “withholding calculator”^[1] intended to help taxpayers determine their new withholding obligations under the TCJA. The IRS has also recently issued a revised Form W-4 to enable taxpayers to calculate and modify their withholding from wages. The IRS encourages all taxpayers to review and adjust their withholding to avoid surprises in early 2019 in the amount of income tax owing for 2018 (plus penalties and interest) because they failed to have adequate amounts withheld from wages.

The TCJA preserves an exemption for trusts and estates, but it changes the amount available to Qualified Disability Trusts from \$4,050 in tax year 2017 to \$4,150 in tax year 2018, with annual increases for inflation going forward. **Type of Trust/Estate Amount of Exemption** Estates \$600
Qualified Disability Trusts \$4,150 in 2018 Trusts required to distribute all of their income currently \$300 All other Trusts \$100

Tax Planning Tip

Taxpayers should review and adjust their withholding using the Withholding Calculator and the revised Form W-4. Given the changes brought by the TCJA, this is especially important for taxpayers who itemized deductions in 2017 and prior years because they may no longer be doing so or their itemized deductions may be substantially reduced due to the TCJA's changes (e.g., \$10,000 limit on state and local taxes). Nobody wants to be surprised with additional taxes, penalties and interest resulting from underwithholding. There is no safety net. Caution is advised!

CHILD TAX CREDIT

Background/Prior Law

A tax credit may be available to taxpayers with qualifying children under age 17. The TCJA changes how the credit applies.

Under prior law, the child tax credit amount was \$1,000 per qualifying child under age 17. The credit was phased out by \$50 for every \$1,000 by which a taxpayer's adjusted gross income (AGI) exceeded certain thresholds: \$110,000 for joint filers, \$75,000 for heads of household and single filers, and \$55,000 for those married filing separately.

To claim the credit, a taxpayer needed to provide the child's name and taxpayer identification number ("TIN") on his or her return. Qualifying TINs included a Social Security Number ("SSN"), individual taxpayer identification number ("ITIN"), or adoption taxpayer identification number ("ATIN").

If the \$1,000-per-child tax credit exceeded a taxpayer's tax liability, that taxpayer was eligible for a refund up to 15 percent of his or her earned income over \$3,000. Neither the \$1,000 credit amount, nor the \$3,000 earned income limit were adjusted for inflation. For those taxpayers with three or more qualifying children, the amount by which the year's Social Security taxes exceeded the earned income credit was also refundable. The refund, however, was limited to \$1,000 per qualifying child.

TCJA

For tax years beginning after December 31, 2017, the TCJA modifies the child tax credit. Key changes include:

- Doubling the credit amount to \$2,000;
- More than doubling the AGI thresholds for phasing out the credit;

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- Tightening the documentation requirements needed to obtain the credit;
- Allowing a partial credit for those who don't qualify for the full credit; and
- Changing the refund rules.

Unless Congress acts, these changes will remain in effect through December 31, 2025. In 2026, the rules surrounding the credit will revert to pre-TCJA law.

Under the TCJA, the credit amount increases from \$1,000 to \$2,000 per qualifying child under age 17. The new AGI thresholds for phasing out the credit are \$400,000 for joint filers (increased from \$110,000 under the old law) and \$200,000 for all other filers. As before, the credit is reduced by \$50 for every \$1,000 by which a taxpayer's AGI exceeds these thresholds. These thresholds are not indexed for inflation.

In order to claim the credit, each child's SSN is now required. Other forms of taxpayer identification, such as an ITIN or ATIN, no longer suffice. This change is clearly motivated by the current administration's focus on immigration policy. SSNs are only available to U.S. citizens, aliens who are lawfully admitted into the U.S. for permanent residence or work, and other aliens who can lawfully work in the U.S. Although there is no express requirement that a taxpayer claiming the credit himself or herself be a U.S. citizen or resident, as a practical matter, taxpayers with questionable citizenship or residency status will likely be hesitant to claim the credit.

The TCJA allows a new \$500 credit per qualifying dependent who is not a qualifying child under the foregoing rules. There is no age limit for this credit, but certain dependency tests under IRC § 152 must be met (for example, a non-qualifying child could include a child under age 19, a full-time student under age 24, or a disabled child of any age). **Note:** Parents of qualifying children who lack SSNs, and therefore cannot receive the full \$2,000 credit, may be eligible for the \$500 partial credit. However, parents of non-qualifying children can only receive the partial credit if the parents themselves are U.S. citizens, U.S. nationals, or U.S. residents.

The TCJA also made changes to the refund calculations: If the tax credit exceeds a taxpayer's income tax liability, that taxpayer is now eligible for a refund up to 15 percent of earned income over \$2,500 (reduced from \$3,000 under prior law). The maximum refundable portion of the credit is now \$1,400 (compared to \$1,000 under prior law) per qualifying child. These changes may result in larger refunds. The new \$500 credit, however, is not refundable.

Tax Planning Tips

Those taxpayers who qualified for the child tax credit in prior years need to determine whether their children meet the stricter documentation requirements. Those taxpayers who previously ignored the credit because their AGI was too high to benefit from it may need to revisit that

consideration. The higher AGI threshold means the credit is effectively available to more families. Furthermore, given the loss of the personal exemption (previously \$4,050 per spouse and dependent child), the credit may be an even more important tax planning tool for many families.

These two changes to the Code will adversely impact families who have college age children. Under pre-TCJA law, taxpayers with children in college under age 24 as of the close of the calendar year could continue to take a dependency exemption of \$4,050 per qualifying child. The exemption equated to about a \$1,000 tax reduction to taxpayers in the 25 percent bracket. Under the TCJA, taxpayers lose the exemption and can only take a \$500 credit for dependent children in college who are under 24. That \$500 loss will be a tough pill to swallow for many families during years where the cash outflow for college expenses is significant. Taxpayers need to “run the numbers” to determine how they will be affected by the changes to the exemptions and child tax credits.

ALIMONY AND MAINTENANCE PAYMENTS

Background/Prior Law

Alimony and maintenance payments are usually amounts paid by the higher-earning spouse to the lower-earning spouse under an agreement or decree incident to divorce. These payments are meant to limit the unfair economic impact of divorce on the lower-earning spouse by providing him or her with a continuous stream of income. The amount of alimony or maintenance payments is usually negotiated between the two spouses and/or their attorneys, determined through mediation, or court-ordered.

Under prior law, alimony and maintenance payments were treated as deductible expenses to the payor (former IRC § 215(a)). Likewise, these payments were treated as taxable income to the recipient (former IRC §§ 71(a), 61(a)(8)).

As Gavin pronounced in the 1989 movie *The War of the Roses* about divorce: “There is no winning! Only degrees of losing!” The tax treatment of alimony and maintenance payments under prior law clearly took Gavin’s statement into mind as Code §§ 215(a), 61(a)(8) and 71(a) were aimed at facilitating prompt and fair settlement agreements between divorcing couples by creating as much of a win-win situation as possible: The higher-earning spouse received a tax benefit proportional to the amount paid to the lower-earning spouse, encouraging cooperation and generosity. At the same time, the lower-earning spouse generally fell into a lower income tax bracket and enjoyed lower tax rates, mitigating the tax burden of the alimony income on that spouse. In essence, the government subsidized the alimony.

TCJA

The TCJA eliminates these Code provisions. Consequently, for any divorce or separation agreement or judgment finalized after December 31, 2018, alimony and maintenance payments are no longer deductible by the payor. Additionally, these payments are no longer taxable to the recipient.

These changes do not affect currently divorced couples or any couple who finalizes their divorce before December 31, 2018—unless they modify their divorce agreements to specifically state that the TCJA's treatment of alimony and maintenance now applies.

Additionally, the TCJA does not change the pre-existing rules for child support—i.e., that child support is not deductible by the payor and is not income to the recipient.

Tax Planning Tips/Guidelines

- 1.** If a divorce is on the table, any taxpayer who may end up paying his/her about-to-be-former spouse alimony or maintenance should work swiftly to finalize the legal separation or divorce settlement or judgment before the end of this calendar year. Again, treating the alimony and maintenance payments as deductible by the payor and taxable to the recipient can benefit both parties. The payor may be willing to pay the former spouse more than he or she would be willing to pay next year when the law changes, thereby facilitating a swifter conclusion to a divorce. **Note:** This option is only available through the end of this year.
- 2.** For taxpayers currently paying alimony and/or maintenance: If a divorce occurs after 2018 or if the alimony or maintenance payments are otherwise subject to TCJA treatment due to a modification of the governing divorce documents, taxpayers need pay close attention to how the amount of the payments are determined. The amounts paid for alimony or maintenance will need to factor in the taxes that the payor will have to pay on the income generated to pay amounts payable to the payee. Likewise, both the payor and payee need to take into consideration that the payee will receive the payments free of Federal income tax.
- 3.** If a taxpayer modifies after December 31, 2018 a divorce decree or settlement agreement that was entered into before the end of 2018, caution is advised. If the taxpayer, in such situations, wants the TCJA rules to apply to the pre-2019 decree or agreement, consider adding the following language to the modification document: "The parties hereto expressly desire that the applicable provisions of the Internal Revenue Code, as modified by the Tax Cuts and Jobs Act, apply to all alimony or maintenance payments made on or after the date hereof, and shall report the payments for income tax purposes accordingly." If, on the other hand, the taxpayer wants the pre-TCJA rules to apply to the pre-2019 decree or agreement, consider adding the following language to the modification document: "The parties hereto expressly desire that the applicable provisions of the Internal Revenue Code existing immediately preceding the enactment of the Tax Cuts and Jobs Act apply to all alimony or maintenance payments made hereunder." **Note:** Taxpayers have no ability to select the tax treatment relative

to alimony or maintenance made pursuant to an original decree or agreement entered into after December 31, 2018. Those payments are non-deductible by the payor and are non-taxable to the payee as a result of the TCJA.

4. State and local governments may or may not adopt this change created by the TCJA—so, state and local taxation may differ.
5. Every divorce unfolds differently. Even couples who share good intentions of proceeding amicably should prepare for alternate scenarios. They should not delay in engaging a trusted family law attorney as well as a trusted tax advisor for particularized advice and representation on how to minimize the financial harm of parting ways.

PART B – MAJOR LIFE EVENTS: CHANGES TO TAX RATES, THE EXISTING DEDUCTION FRAMEWORK AND KEY ITEMIZED DEDUCTIONS IMPACTING MAJOR LIFE EVENTS

OVERVIEW

A logical discussion about changes made by the TCJA to key itemized deductions can only occur in the context of the related changes to individual tax rates and the standard deduction. As part of the TCJA, Congress modified the entire framework of itemized deductions in order to intentionally broaden the tax base and lower individual income tax rates. The result is the availability of fewer itemized deductions than we had under prior law. Many of the former itemized deductions were extremely important to certain taxpayers. Certain deductions provided relief for taxpayers undergoing hard times (e.g., substantial medical expenses or casualty losses). Others, such as the mortgage interest and state income tax deduction, were advantageous to many taxpayers. Not all of the changes will affect every taxpayer, but for many, the changes will have a substantial impact. With that background, a summary of the new framework is warranted.

INDIVIDUAL TAX RATES AND BRACKETS

Background/Prior Law

Under pre-TCJA law, there were seven different marginal tax rates with the following taxable income brackets:

Pre-TCJA Brackets (for taxes due in 2017 and prior years)	Tax Rate	Individuals	Married Filing Jointly	Married Filing Separately	Head of Household
Up to \$9,325	10%	Up to \$9,325	Up to \$18,650	Up to \$9,325	Up to \$13,350
\$9,326 to \$37,950	15%	\$9,326 to \$37,950	\$18,651 to \$75,900	\$9,326 to \$37,950	\$13,351 to \$50,800
\$37,951 to \$91,900	25%	\$37,951 to \$91,900	\$75,901 to \$153,100	\$37,951 to \$76,550	\$50,801 to \$131,200
\$91,901 to \$191,650	28%	\$91,901 to \$191,650	\$153,101 to \$233,350	\$76,551 to \$116,675	\$131,201 to \$212,500
\$191,651 to \$416,700	33%	\$191,651 to \$416,700	\$233,351 to \$416,700	\$116,676 to \$208,350	\$212,501 to \$416,700
\$416,701 to \$418,400	35%	\$416,701 to \$418,400	\$416,701 to \$470,700	\$208,351 to \$235,350	\$416,701 to \$418,400

\$444,550 39.6% Over \$418,400 Over \$470,700 Over \$235,350 Over \$444,550

These brackets were adjusted for inflation annually based on the change in the Consumer Price Index for Urban Consumers—i.e., the “CPI-U.”

TCJA

Under the TCJA, the seven marginal tax rates are changed as follows:

TCJA Brackets (for taxes due in 2018 through 2025) **Tax Rate** **Individuals** **Married Filing Jointly** **Married Filing Separately** **Head of Household** 10% Up to \$9,525 Up to \$19,050 Up to \$9,525 Up to \$13,600 12% \$9,526 to \$38,700 \$19,051 to \$77,400 \$9,526 to \$38,700 \$13,601 to \$50,800 22% \$38,701 to \$82,500 \$77,401 to \$165,000 \$38,701 to \$82,500 \$51,801 to \$82,500 24% \$82,501 to \$157,500 \$165,001 to \$315,000 \$82,501 to \$157,500 \$82,501 to \$157,500 32% \$157,501 to \$200,000 \$315,001 to \$400,000 \$157,501 to \$200,000 \$157,501 to \$200,000 35% \$200,001 to \$500,000 \$400,001 to \$600,000 \$200,001 to \$300,000 \$200,001 to \$500,000 37% Over \$500,000 Over \$600,000 Over \$300,000 Over \$500,000

The new tax rates and brackets are in effect for tax years 2018 through 2025. Thereafter, we revert to the pre-TCJA structure.

The TCJA generally lowers tax rates across the spectrum and also generally increases the upper taxable income limit for each bracket, thus resulting in lower marginal tax rates to greater income. The TCJA also uses a different method of inflation indexing than we had under prior law. The tax brackets are adjusted for inflation annually based on the change in the “Chained CPI-U,” which takes into account the ability of consumers to alter their consumption patterns by substituting for lower priced goods. The Chained CPI-U generally rises at a slower rate than the CPI-U. Thus, this change will ultimately result in more “bracket creep” to the extent that wages increase faster than the Chained CPI-U. The Chained CPI-U methodology does not sunset and will continue as the inflation-indexing methodology after the pre-TCJA tax rates and brackets spring back into effect in 2026.

THE STANDARD DEDUCTION

Background/Prior Law

Taxpayers have the option to take the standard deduction or itemize their deductions, whichever is greater. Under pre-TCJA law, the standard deduction in 2017 was \$6,350 for individuals and married persons filing separately, \$12,700 for marrieds filing jointly, and \$9,350 for heads of household. These amounts were indexed for inflation based on annual changes in the CPI-U. Taxpayers who are blind or age 65 or older are eligible for an additional standard deduction.

TCJA

The TCJA retains the option to itemize or claim the standard deduction, but nearly doubles the amount of the standard deduction, raising it to \$12,000 for individuals and married couples filing separately, \$24,000 for married couples filing jointly, and \$18,000 for heads of household. These amounts remain in effect through December 31, 2025. The standard deduction will be indexed for inflation in tax years beginning after 2018 using Chained CPI-U.

The additional standard deduction for taxpayers who are blind or age 65 or older remains in effect.

The expansion of the standard deduction means that more taxpayers will rely on the standard deduction and fewer taxpayers will choose to itemize. This change may significantly benefit taxpayers who did not historically itemize or whose itemized deductions were historically less than the new standard deduction. However, for those taxpayers that previously itemized and had substantial deductions, this change, combined with the new limitations on itemized deductions (discussed below) may mean these taxpayers may face a lower overall amount of deductions.

KEY ITEMIZED DEDUCTION CHANGES

Background/Prior Law

As noted above, taxpayers generally may claim the larger of the standard deduction or their itemized deductions. Prior to the TCJA, there were numerous available itemized deductions. A complete review of these deductions is outside the scope of this post, but it's worth discussing some of the most commonly claimed and financially important deductions and the major changes brought by the TCJA to the itemized deduction framework.

Mortgage Interest Deduction

Under prior law, taxpayers who were married filing jointly could deduct interest with respect to “acquisition indebtedness”—indebtedness incurred to purchase, construct or improve their primary or secondary residence and secured by the residence—up to \$1 million (\$500,000 for taxpayers who were single or married filing separately). Taxpayers who were married filing jointly were also allowed a separate deduction for interest on up to \$100,000 (\$50,000 for single or married filing separately) of “home equity indebtedness.” Home equity indebtedness is indebtedness, other than acquisition indebtedness, secured by a qualified residence, and it typically takes the form of a home equity loan or line of credit (e.g., a “HELOC” or second mortgage).

The TCJA lowers the mortgage interest deduction limit for “acquisition indebtedness” to \$750,000 (joint returns) and \$375,000 (single and married filing separately). Loans pre-existing the TCJA over those limits are grandfathered in (i.e., up to \$1 million under prior law). Refinancings of pre-existing acquisition indebtedness are likewise grandfathered in up to the pre-TCJA limits so long as the amount of the refinance does not exceed pre-existing debt. The TCJA totally eliminates the prior deduction for interest on “home equity indebtedness.”

There was initially a fair bit of confusion surrounding these changes, as many believed that interest on all home equity indebtedness was no longer deductible. The IRS recently clarified that the elimination of the deduction for home equity indebtedness does not, however, eliminate the deduction for all HELOC or second mortgage interest. Rather, the key is still the purpose for which the loan proceeds are used. There’s no longer a deduction for HELOCs or second mortgages that constitute “home equity indebtedness”—i.e., because the proceeds are not used to acquire, construct or improve the home, for example borrowing to pay for college, a car or a boat. However, if the HELOC or second mortgage is used to purchase, construct or improve a first or second home, and therefore qualifies as “acquisition indebtedness,” interest remains deductible to the extent the funds are so used. Thus, borrowing on a HELOC to renovate a house or purchase a second home should still qualify for the interest deduction, subject to the new overall limits on total acquisition indebtedness described above. Borrowing on a HELOC to pay for other expenses, such as a child’s college expenses, is no longer deductible.

State and Local Tax Deduction

Under prior law, individual taxpayers were allowed to deduct personal (i.e., non-business / non-investment) state, local and foreign income taxes; state, local and foreign real property taxes and state and local (but not foreign) personal property taxes. In lieu of the deduction for state and local income taxes, taxpayers could elect to deduct state and local sales taxes.

Under the TCJA, taxpayers may no longer deduct personal (i.e., non-business / non-investment) foreign real property taxes. The TCJA also limits the aggregate annual deduction for state and local income taxes (or sales taxes, if elected), foreign income taxes, and state and local real and personal property taxes to a maximum of \$10,000 for married filing jointly and single filers (\$5,000 for marrieds filing separately). This change is effective for tax years after December 31, 2017 and before January 1, 2026.

Casualty Losses

Under prior law, individuals were allowed, subject to certain limitations, a deduction for personal (i.e., non-business) losses of property that resulted from fire, storm, shipwreck, other casualty or theft.

Under the TCJA, personal casualty losses are only deductible to the extent they arise or are attributable to a federally declared disaster. This change is effective for tax years after December 31, 2017 and before January 1, 2026. Such losses are still only deductible to the extent they exceed \$100 per casualty and 10% of adjusted gross income (“AGI”), as was the case under prior law. **Note:** The deduction for losses from theft appears to be unchanged.

Medical Expense Deduction

Under prior law, individuals were allowed a deduction for unreimbursed medical care expenses (as defined under Code Section 213(d)) for themselves and their spouses and dependents to the extent that such expenses exceeded 10% of AGI. For tax years between December 31, 2012 and January 1, 2017, the threshold was reduced to 7.5% of AGI if the taxpayer or spouse was age 65 or older.

The TCJA temporarily (and retroactively) expands the medical expense deduction. For tax years beginning after December 31, 2016 and before January 1, 2019, any taxpayer, regardless of age, may deduct unreimbursed medical expenses in excess of 7.5% of AGI.

Other Changes

Finally, taxpayers were also allowed a number of other “miscellaneous itemized deductions” that were subject to a 2% AGI threshold, and higher income taxpayers were subject to an overall limit (i.e., the “Pease limit”) on their itemized deductions, which reduced itemized deductions by 3% of the amount by which the taxpayer’s AGI exceeded a specified threshold (but not by more than 80% overall).

The TCJA suspends all miscellaneous itemized deductions and the Pease limitation for tax years beginning after December 31, 2017 and before January 1, 2026.

PART C – INDIVIDUAL AMT CHANGES

Background/Prior Law

Under pre-TCJA law, taxpayers were subject to an alternative minimum tax (“AMT”), which was a separate tax regime that effectively eliminated most deductions and tax preference items and subjected the resulting “alternative minimum taxable income” (“AMTI”) to tax using tax brackets of 26% and 28%. Taxpayers effectively paid the higher of their regular tax liability or the AMT liability.

The AMT framework contained an income exemption that was indexed for inflation. In 2017 the exemption amounts were:

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- \$54,300 for unmarried individuals;
- \$84,500 for married individuals filing a joint return;
- \$42,250 for married individuals filing separate returns; and
- \$24,100 for an estate or trust.

For taxable years beginning in 2017, the exemption amounts were phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeded:

- \$120,700 for unmarried individuals;
- \$160,900 for married individuals filing a joint return; and
- \$80,450 for married individuals filing separate returns, estates and trusts.

TCJA

The TCJA temporarily increases both the individual AMT exemption amount and the exemption amount phaseout thresholds for taxable years beginning after December 31, 2017 and before January 1, 2026. During these years, the AMT exemption amount is increased to:

- \$109,400 for married taxpayers filing a joint return;
- \$54,700 for married taxpayers filing a separate return, and
- \$70,300 for all other taxpayers (other than estates and trusts).

The exemption phase-out thresholds are increased to \$1,000,000 for married taxpayers filing a joint return, and \$500,000 for all other taxpayers (other than estates and trusts). These amounts are indexed for inflation.

These changes will likely result in fewer individuals being subject to the AMT.

CONCLUSION

Family matters, such as marriage, divorce, home ownership and parenting, are rife with complexity even outside the context of taxes. Nonetheless, the TCJA has penetrated into these aspects of taxpayers' lives and its impact should not be ignored. A proactive approach to planning can alleviate some uncertainty and free up more time to focus on those relationships that matter most.

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[1] Available at: <https://www.irs.gov/individuals/irs-withholding-calculator>

Tags: alimony, alternative minimum tax, casualty losses, child tax credit, Decoding the Tax Cuts and Jobs Act, deductions, divorce, estates, family matters, Internal Revenue Code, Internal Revenue Service, itemized deductions, maintenance payments, medical expenses, mortgage interest, personal exemption, refunds, standard deductions, State and Local Tax, Tax Cuts and Jobs Act, Tax Reform, taxable income brackets, trusts, withholding