



**FEDERAL AND CALIFORNIA TAX OUTLOOK  
EFFECTIVE 12/15/17 – TAX CUTS AND JOBS ACT**

	<u>2017</u>	<u>2018</u>
<b><u>FEDERAL INCOME TAX</u></b>		
TOP PERSONAL INCOME TAX RATE	39.6% (1)	37.0% (4)
TOP CAPITAL GAINS RATE	20% (1)	20% (5)
TOP QUALIFIED DIVIDENDS RATE	20% (1)	20% (5)
NET INVESTMENT INCOME	3.8% (2)	3.8% (2)
TOP CORPORATE INCOME TAX RATE	35%	21%
TOP RATE FOR BUSINESS INCOME ON PERS. RETURNS	39.6% (1)	29.6% (7)
ALTERNATIVE MINIMUM TAX RATE	28%	28%
MEDICARE HOSPITAL INSURANCE TAX	0.9% (2)	0.9% (2)
EXEMPTIONS	\$4,050 (3)	-
STANDARD DEDUCTION (MFJ/Single)	\$12,700/\$6,350 (3)	\$24,000/\$12,000
SCHEDULE A (CHARITABLE, MORTGAGE INTEREST, TAXES)	%DEDUCT (3)	CAPPED (6)
<b><u>CALIFORNIA INCOME TAX</u></b>		
TOP INCOME TAX RATE	12.3%	12.3%
MENTAL HEALTH SURTAX (INCOME >\$1M)	1.0%	1.0%
SALES TAX (INCLUDING ORANGE COUNTY)	7.75%	7.75%
<b><u>DEPRECIATION EXPENSE</u></b>		
SECTION 179 TOTAL (NEW OR USED)	\$500K	\$1M
ON INVESTMENT OF:	\$2M	\$2.5M
ON QUALIFIED LEASEHOLD IMPROVEMENTS	\$250K	\$250K
BONUS DEPRECIATION (NEW ONLY)	50%	100% (8)
<b><u>ESTATE/GIFT TAX</u></b>		
ESTATE/GIFT EXEMPTION	\$5.49M	\$10.98M
ESTATE/GIFT TOP RATE	40%	40%
ANNUAL GIFT TAX EXCLUSION	\$14K	\$15K

- (1) AGI thresholds are \$470,700 (MFJ) and \$418,400 (Single)
- (2) MAGI & Wage thresholds are \$250,000 (MFJ) and \$200,000 (Single)
- (3) AGI Phase-out begins at \$313,800 (MFJ) and \$261,500 (Single)
- (4) AGI thresholds are \$600,000 (MFJ) and \$500,000 (Single)
- (5) AGI thresholds are \$479,000 (MFJ) and \$425,800 (Single)
- (6) Deductions for state income taxes and property taxes are combined and capped at \$10,000. Mortgage interest deduction for all homeowners with existing mortgages is

- preserved at \$1M, and for homeowners with new mortgages incurred December 15, 2017 or later, the interest deduction will be available up to \$750,000 of debt. No interest deduction is allowed on existing or new home equity loans.
- (7) Allows a 20% deduction of net profits; phase out begins at AGI of \$315,000 (MFJ) and \$157,500 (Single) for specified service businesses and kicks in wage requirements for full deduction.
- (8) Eligible on both new and used property.



- *Child Tax Credit is increased to \$2,000 per eligible child and is phased out beginning at AGI of \$400,000 (MFJ) and \$200,000 (Single).*
- *Penalty under the Affordable Care Act for failing to have health insurance is eliminated in 2019.*
- *All miscellaneous itemized deductions that are subject to the two-percent floor are eliminated and suspended until 2026.*
- *Alimony payments are not deductible by payer and not included in gross income by recipient for any divorce or separation agreement executed after December 31, 2018.*
- *Moving expense deduction is eliminated except for members of the Armed Forces.*
- *Domestic production activities deduction is eliminated effective in 2018.*
- *California income and mental health taxes were extended until 2030 by Proposition 55; sales tax reduced by .25% statewide.*
- *IRC 1031 exchanges will be limited to only real property (i.e. real estate) and personal property (i.e. cars and airplanes) will no longer qualify.*

**For more information, please contact one of our tax professionals listed below:**

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