Below is a summary of the eight key changes implemented by the new Tax Bill that could impact you and your family.

#1 – Individual Tax Brackets and Standard Deductions

Despite the GOP's desire to reduce the number of individual tax brackets, the final bill retains the 7-tiered individual progressive income tax brackets. The new tax brackets for individuals and families are **10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent and 37 percent** (see the chart below for a more detailed breakdown by income level).

As such, many Americans will see a slight reduction in their top marginal tax rate. That being said, these updated brackets were passed on a "sunset provision" basis – meaning that *the updated tax rates will expire and revert to current levels at the end of 2025 unless Congress reauthorizes the lower rates*.

Secondly, the standard deduction will essentially double for both individuals and families. Whereas the current standard deductions are $6,500 for individuals and $12,000 for families, the new standard deductions will be **$13,000 for individuals and $24,000 for families.**

For most working- and middle-class families, this piece of the tax bill represents the greatest source of tax cuts that each family will realize. In addition to an increased standard deduction, several itemized deductions will be reduced or phased out of the tax code (more details in the following sections).

The intention of increasing the standard deduction is to simplify the tax-filing process for individuals – encouraging more people to claim the standard deduction as opposed to itemizing their deductions.

If taxable income is:	Then income tax equals:
Single Individuals	
Not over $9,525	10% of the taxable income
Over $9,525 but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700 but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500 but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000 but not over $500,000	$45,689.50 plus 35% of the excess over $200,000
Over $500,000	$150,689.50 plus 37% of the excess over $500,000

Married Individuals Filing Joint Returns and Surviving Spouses	
Not over $19,050	10% of the taxable income
Over $19,050 but not over $77,400	$1,905 plus 12% of the excess over $19,050
Over $77,400 but not over $165,000	$8,907 plus 22% of the excess over $77,400
Over $165,000 but not over $315,000	$28,179 plus 24% of the excess over $165,000
Over $315,000 but not over $400,000	$64,179 plus 32% of the excess over $315,000
Over $400,000 but not over $600,000	$91,379 plus 35% of the excess over $400,000
Over $600,000	$161,379 plus 37% of the excess over $600,000

#2 – State & Local Tax Deductions and Mortgage-Interest Deductions

One point of contention in the earlier stages of the tax legislation was state and local tax deductions. While the original House proposal called for the elimination of this deduction, pushback from House members in high-tax states persuaded Congress to compromise on this provision. As a result, taxpayers will be able to deduct **up to $10,000 in state and local income, property and/or sales taxes** from their federal tax burden.

In addition, you may deduct **up to $750,000 of mortgage interest** under the new tax proposal (a reduction from the current cap of $1 million). This deduction can be applied to your primary residence and one other qualified residence (which could include a vacation home, mobile home or a boat).

As with the new individual tax rates, the revisions to both of these deductions would sunset after 2025.

#3 – Medical Expenses Deduction

In 2017 and 2018, you will be able to **deduct out-of-pocket medical expenses that exceed 7.5% of your gross adjusted income** (but not on health care expenses that are less than 7.5%). For instance, if you earn $100,000 in a year and your out-of-pocket medical costs are $12,000, you may deduct $4,500 in medical expenses.

Effective January 2019, the threshold will return its current level, with any out-of-pocket medical expenses that exceed 10% of your gross adjusted income being tax-deductible.

#4 – Estate Tax

Due to resistance in the Senate, the GOP was unable to pass a "clean repeal" of the estate tax; and the 40% tax rate will remain unchanged. That being said, they have significantly raised the exemption threshold on taxable estates – meaning that fewer people will be subject to the estate tax.

Under the new policy**, individual estates valued under $11.2 million ($22.4 million for couples) would be exempt**. Once again, the estate tax provisions will expire at the end of 2025.

#5 – Alternative Minimum Tax

The alternative minimum tax – which is primarily levied on individuals and families who earn more than $200,000 annually – will remain intact. Although the assessment of this tax can vary significantly based on your personal circumstances, the exemptions and phase-outs will be slightly raised. As a result, **fewer people will have to pay the tax and those who do will pay a smaller sum**. These changes also sunset after 2025.

The 20% *corporate* alternative minimum tax has been permanently repealed.

#6 – Corporate Tax Rate

Perhaps the most drastic change to our tax code can be observed in the reduction of the corporate tax rate. Whereas the current rate is 35%, **the new corporate tax rate will be 21%**. *Unlike many provisions in the bill, these tax cuts are permanent (i.e. the new rates do not sunset in 2025).*

The substantial reduction aligns with the GOP's promise to slash the corporate tax rate, with the goal of stimulating economic growth. However, contrary to the rhetoric on the campaign trail, none of the tax loopholes or deductions for special interests were eliminated – meaning that many larger, publicly traded corporations will pay an even lower effective tax rate.

#7 – Pass-Through Businesses

Small business owners have typically paid income taxes at their individual tax rate – particularly those who earn income via pass-through entities (limited-liability companies, S corporations, partnerships and sole proprietorships).

However, the tax legislation allows individuals to **deduct 20% of their qualified business income, up to $157,500 for individuals ($315,000 for joint filers)**. For small business owners, this deduction will greatly reduce their tax liability. More clarification is needed from the IRS with regards to the specific application of this provision. The provisions for pass-through businesses will also expire at the end of 2025.

#8 – Individual Healthcare Mandate

One of the most controversial provisions of the Affordable Care Act (colloquially known as Obamacare) is the individual mandate, where individuals must either purchase a qualifying health insurance plan or pay an annual penalty. Under the new tax code, **the individual mandate penalty would be eliminated** – reducing the incentive for healthy individuals to sign up for coverage.