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Numbers, numbers, numbers — 2017 and 2018 (revised)

By Deborah L. Anderson and Mary M. Paul, EA

The following list contains some of the “number” changes (many based on mandated inflation adjustments) that you might find interesting and helpful for 2018 tax and estate planning (with 2017 comparative numbers). Many of the tax law changes within the Tax Cuts and Jobs Act are temporary as they sunset after a specific date. Refer to the applicable endnotes within the list for such dates.

Federal Income Tax Items	2017	2018
Top federal marginal tax rate for ordinary income (applicable for taxable income over \$470,700 joint and \$418,400 single in 2017 and \$600,000 joint and \$500,000 single in 2018); lower tax brackets are 10%, 15%, 25%, 28%, 33% and 35% in 2017 and 10%, 12%, 22%, 24%, 32% and 35% in 2018 ¹	39.6%	37%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals with taxable income of up to \$75,900 joint and \$37,950 single in 2017 and \$77,200 joint and \$38,600 single in 2018 ¹	0%	0%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals with taxable income between \$75,901 and \$470,700 joint and \$37,951 and \$418,400 single in 2017 and between \$77,201 and \$479,000 joint and \$38,601 and \$425,800 single in 2018 ¹	15%	15%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals with taxable income over \$470,700 joint and \$418,400 single in 2017 and \$479,000 joint and \$425,800 single in 2018 ¹	20%	20%
Federal tax rate on the portion of long-term gain from real estate that represents depreciation recapture (so-called “Section 1250 gain”)	25%	25%

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Federal Income Tax Items	2017	2018
Federal tax rate on long-term gain from collectibles (e.g., art, antiques, precious metals, gems, stamps, coins, etc.)	28%	28%
Federal tax rate on long-term gain on small business stock eligible for the 50% and 75% exclusions	28%	28%
Standard deduction ¹		
Married filing jointly	\$12,700	\$24,000
Head of household	\$9,350	\$18,000
Single or married filing separate returns	\$6,350	\$12,000
Additional amount for over 65 or blind		
Married filing jointly	\$1,250	\$1,300
Single	\$1,550	\$1,600
Maximum state and local income and real estate taxes deductible on Schedule A ¹	Unlimited	\$10,000
Maximum miscellaneous itemized deductions (subject to the 2% AGI floor) deductible on Schedule A ¹	Unlimited	\$0
Maximum acquisition indebtedness threshold for Schedule A mortgage interest deduction incurred on or before December 15, 2017	\$1,000,000	\$1,000,000
Maximum acquisition indebtedness threshold for Schedule A mortgage interest deduction incurred after December 15, 2017 ¹	\$1,000,000	\$750,000
Maximum home equity indebtedness threshold for Schedule A mortgage interest deduction ¹	\$100,000	\$0
Applicable amount of AGI after which itemized deductions are reduced by 3% of AGI over this applicable amount—the “Pease Limitation” ¹		
Married filing jointly	\$313,800	\$0
Head of household	\$287,650	\$0
Single	\$261,500	\$0
Married filing separately	\$156,900	\$0
Maximum allowed tax-free distribution from 529 Plan for elementary and secondary school tuition (per beneficiary)	N/A	\$10,000
Child Tax Credit allowed for each qualifying child under the age of 17 ¹	\$1,000	\$2,000
Child Tax Credit allowed for each dependent other than a qualifying child ¹	N/A	\$500

Federal Income Tax Items	2017	2018
Modified AGI phase-out threshold for Child Tax Credit ¹		
Married filing jointly	\$110,000	\$400,000
Single	\$75,000	\$200,000
Married filing separately	\$55,000	\$200,000
Net unearned income of children under age 19 and dependent full-time students under age 24 that escapes the “kiddie” tax (child taxed at parent’s marginal rate). For 2018, net unearned income is taxed at trust/ estate rates.	\$2,100	\$2,100
Minimum standard deduction for individual who can be claimed as a dependent	\$1,050	\$1,050
Personal exemption amount (subject to “phase-out,” as noted below) ¹	\$4,050	\$0
Range of Adjusted Gross Income (AGI) where the personal exemption “phases out” ¹		
Married filing jointly	\$313,800–\$436,300	\$0
Head of household	\$287,650–\$410,150	\$0
Single	\$261,500–\$384,000	\$0
Married filing separately	\$156,900–\$218,150	\$0
Taxable wage base for Social Security and self-employment income	\$127,200	\$128,400
Social Security COLA (cost of living adjustment)	0.3%	2.0%
Additional Medicare tax on wages and self-employment income when wages and self-employment income exceed the following thresholds:		
Married filing jointly—\$250,000	0.9%	0.9%
Married filing separately—\$125,000		
Single/Head of household—\$200,000		
Medicare surtax on investment income when Modified Adjusted Gross Income (MAGI) (which is AGI plus foreign earned income) exceeds the following thresholds:		
Married filing jointly—\$250,000	3.8%	3.8%
Married filing separately—\$125,000		
Single/Head of household—\$200,000		
Tax is assessed on the <i>smaller</i> of the filer’s net investment income or the excess of MAGI over the applicable threshold amount		

Federal Income Tax Items	2017	2018
Maximum alternative minimum tax (AMT) rate on AMT income over \$187,800 in 2017 and \$191,500 in 2018; below these amounts, the AMT rate is 26%	28%	28%
Alternative minimum tax (AMT) exemption: ¹		
Married filing jointly	\$84,500	\$109,400
Single	\$54,300	\$70,300
Married filing separately	\$42,250	\$54,700
Range of AMT taxable income where the AMT exemption “phases out” ¹		
Married filing jointly	\$160,900–\$498,900	\$1,000,000–\$1,437,600
Single	\$120,700–\$337,900	\$500,000–\$781,200
Married filing separately	\$80,450–\$249,450	\$500,00–\$718,800
Health Savings Account (HSA) annual contribution:		
Family	\$6,750	\$6,900
Single	\$3,400	\$3,450
Additional “catch-up” contributions for individuals aged 55 or older	\$1,000	\$1,000
Maximum traditional and Roth IRA contributions	\$5,500	\$5,500
Additional “catch-up” contributions for individuals aged 50 or older	\$1,000	\$1,000
AGI phase-out range for Roth IRA contributions		
Married filing jointly	\$186,000–\$196,000	\$189,000–\$199,000
Single/Head of household	\$118,000–\$133,000	\$120,000–\$135,000
Maximum elective deferrals for 401(k) plans, 403(b) plans, governmental 457 plans and SARSEPs	\$18,000	\$18,500
Additional catch-up contributions for above plans for those aged 50 or older	\$6,000	\$6,000
Maximum deferral for SIMPLE plans	\$12,500	\$12,500
Additional catch-up contributions for SIMPLE plans for those aged 50 or older	\$3,000	\$3,000
Maximum deferral for non-governmental 457 plans (catch-up contribution is not allowed)	\$18,000	\$18,500
Maximum compensation limit for defined contribution retirement plan purposes	\$270,000	\$275,000
Maximum contribution limit for defined contribution plans	\$54,000	\$55,000
Defined benefit plan limit	\$215,000	\$220,000

Federal Income Tax Items	2017	2018
Maximum Qualified Charitable Distribution (QCD, or a taxable distribution from an IRA owned by an individual over 70 ½ that is paid directly from the IRA to a qualified charity. QCD amount may be excluded from income and also may be used to satisfy the Required Minimum Distribution amount. QCD is not taken into account in determining any deduction for charitable contributions)	\$100,000	\$100,000
Maximum foreign earned income exclusion	\$102,100	\$104,100
Business mileage rate (per mile)	\$0.535	\$0.545
Charitable mileage rate (per mile)	\$0.14	\$0.14
Medical and moving mileage rate (per mile)	\$0.17	\$0.18
AGI threshold for deducting qualified medical expenses (the AGI threshold increases to 10% in tax years beginning on or after January 1, 2019)	7.5%	7.5%
Estimated tax payments and withholding required to avoid penalties:		
Percentage of current year tax liability or	90%	90%
Percentage of prior year tax liability:		
if AGI is \$150,000 or less	100%	100%
if AGI is greater than \$150,000	110%	110%
“General” IRS interest rate on overpayments and underpayments		
1st Q	4%	4%
2nd Q	4%	TBD
3rd Q	4%	TBD
4th Q	4%	TBD
Amount of compensation that triggers withholding and FICA responsibility for domestic employees (“nanny tax”)	\$2,000	\$2,100
Maximum amount of Section 179 property that can be immediately expensed	\$510,000	\$1,000,000
Maximum amount of additional first-year depreciation (“Bonus Depreciation”) applied to the adjusted basis of qualified property (2018 rate in effect for property placed in service after September 27, 2017) ²	50%	100%

Federal Income Tax Items	2017	2018
Medicare Part B monthly premium—2018 premiums will be based on modified adjusted gross income as follows:		
Less than or equal to \$85,000 (single) or \$170,000 (joint)—monthly premium	\$134.00	\$134.00
\$85,001–\$107,000 (single) or \$170,001–\$214,000 (joint)—monthly premium	\$187.50	\$187.50
\$107,001–\$133,500 (single) or \$214,001–\$267,000 (joint)—monthly premium	\$267.90	\$267.90
\$133,501–\$160,000 (single) or \$267,001–\$320,000 (joint)—monthly premium	\$348.30	\$348.30
More than \$160,000 (single) or greater than \$320,000 (joint)—monthly premium	\$428.60	\$428.60

Federal Transfer Tax Items	2017	2018
Top estate tax rate	40%	40%
Top gift tax rate	40%	40%
Top generation-skipping tax (GST) rate	40%	40%
Annual gift tax exclusion per donee The gift tax exclusion per donee is subject to an inflation adjustment which has not yet been determined. A \$1,000 inflation adjustment is used to arrive at an estimated annual exclusion of \$15,000 for 2018.	\$14,000	\$15,000 (est.)
Applicable lifetime gift tax exemption The 2017 lifetime gift tax exemption is made up of \$5,000,000 of basic exclusion and \$490,000 of inflation adjustment. For 2018, the basic exclusion is \$10,000,000, but the inflation adjustment has not yet been determined. A \$1,180,000 inflation estimate is used to arrive at an estimated total lifetime gift tax exemption of \$11,180,000. ¹	\$5,490,000	\$11,180,000 (est.)
Applicable estate tax exemption The 2017 estate tax exemption is made up of \$5,000,000 of basic exclusion and \$490,000 of inflation adjustment. For 2018, the basic exclusion is \$10,000,000, but the inflation adjustment has not yet been determined. A \$1,180,000 inflation estimate is used to arrive at an estimated total estate tax exemption of \$11,180,000. ¹ The exemption amount does not reflect “Portability,” which is the ability of a surviving spouse to utilize the unused estate exemption of a spouse who died in or after 2011.	\$5,490,000	\$11,180,000 (est.)

Federal Transfer Tax Items	2017	2018
<p>Applicable generation-skipping tax (GST) exemption</p> <p>The 2017 generation-skipping tax exemption is made up of \$5,000,000 of basic exclusion and \$490,000 of inflation adjustment. For 2018, the basic exclusion is \$10,000,000, but the inflation adjustment has not yet been determined. A \$1,180,000 inflation estimate is used to arrive at an estimated total generation-skipping tax exemption of \$11,180,000.¹</p>	\$5,490,000	\$11,180,000 (est.)
Transfers to a spouse during life or at death (U.S. citizens)	Unlimited	Unlimited
<p>Annual gift tax exclusion for transfer to non-citizen spouse</p> <p>The 2017 annual gift tax exclusion for transfers to a non-citizen spouse is made up of \$100,000 of basic exclusion and \$49,000 of inflation adjustment. For 2018, the basic exclusion is \$100,000, but the inflation adjustment has not yet been determined. A \$52,000 inflation estimate is used to arrive at an estimated annual gift tax exclusion for transfers to a non-citizen spouse of \$152,000.</p>	\$149,000	\$152,000 (est.)
<p>Reporting threshold for gifts received from foreign corporations and partnerships</p> <p>The 2017 reporting threshold for gifts received from foreign corporations and partnerships is made up of \$10,000 of basic exclusion and \$5,797 of inflation adjustment. For 2018, the basic exclusion is \$10,000, but the inflation adjustment has not yet been determined. A \$6,111 inflation estimate is used to arrive at an estimated reporting threshold for gifts received from foreign corporations and partnerships of \$16,111.</p>	\$15,797	\$16,111 (est.)
Reporting threshold for gifts received from non-resident aliens and foreign estates	\$100,000	\$100,000

California Tax Items	2017	2018
Top California marginal income tax rate for filers with taxable income of \$1,000,000 or more. 12.3% rate applies to filers with taxable income below \$999,999	13.3%	13.3%
Top California estate tax rate—due to the repeal of the federal state death tax credit, there is no California estate tax	N/A	N/A
Top California gift tax rate—there is no state gift tax	N/A	N/A

Florida Tax Items	2017	2018
Top Florida marginal income tax rate	N/A	N/A
Top intangible tax rate (per value of intangible assets owned on January 1). The tax was \$0 effective January 1, 2007	N/A	N/A
Top Florida estate tax rate—due to the repeal of the federal state death tax credit, there is no Florida estate tax	N/A	N/A
Top Florida gift tax rate—there is no state gift tax	N/A	N/A

Illinois Tax Items	2017	2018
For the 2017 tax year, Illinois applies a 3.75% tax rate on income from 1/1/17–6/30/17 and a 4.95% tax rate on income from 7/1/17–12/31/17	4.95%	4.95%
Top Illinois estate tax rate (designed to absorb the state death tax credit allowed under federal law before the 2001 tax legislation); the effective rate could be as high as 28.5%	16%	16%
Estate tax exemption (lower than the federal exemption)	\$4,000,000	\$4,000,000
Top Illinois gift tax rate—there is no state gift tax	N/A	N/A

Maryland Tax Items	2017	2018
Top Maryland marginal income tax rate	5.75%	5.75%
Top local income tax rate (Baltimore City and counties of Howard, Wicomico, Montgomery, Somerset, Queen Anne’s and Prince George’s)	3.2%	3.2%
Top Maryland estate tax rate (designed to absorb the state death tax credit allowed under federal law before the 2001 tax legislation)	16%	16%
Estate tax exemption (lower than the federal exemption); will increase annually to equal the federal exemption in 2019	\$3,000,000	\$4,000,000
Top Maryland gift tax rate—there is no state gift tax	N/A	N/A

Massachusetts Tax Items	2017	2018
Massachusetts income tax rates:		
Parts A, B and C income (excluding short-term gains) and collectibles	5.10%	5.10%
Part A income—net short-term gain and gain on all collectibles	12%	12%

Massachusetts Tax Items	2017	2018
Top Massachusetts estate tax rate (designed to absorb the state death tax credit under federal law before the 2001 tax legislation)	16%	16%
Estate tax exemption (Note: lower than the federal exemption)	\$1,000,000	\$1,000,000
Top Massachusetts gift tax rate—there is no state gift tax	N/A	N/A

New Hampshire Tax Items	2017	2018
Interest and dividend income tax rate for residents	5%	5%
Top marginal income tax rate on other income	N/A	N/A
Top New Hampshire estate tax rate—due to the repeal of the federal state death tax credit, there is no New Hampshire estate tax	N/A	N/A
Top New Hampshire gift tax rate—there is no state gift tax	N/A	N/A

New York State Tax Items	2017	2018
Top New York State marginal income tax rate for joint filers with taxable income in excess of \$2,000,000 in 2017 and \$2,155,350 in 2018	8.82%	8.82%
Top New York City marginal income tax rate	3.876%	3.876%
Top New York estate tax rate on taxable estates over \$10,100,000 (with effective rates over 100% on the initial amounts over 105% of the basic exclusion amount)	16%	16%
Estate tax applicable exclusion amount. An applicable credit is allowed against the New York estate tax. For taxable estates less than the applicable exclusion amount, no tax payable. For taxable estates between 100% and 105% of the basic exclusion amount, credit is phased out. No credit if taxable estate is over 105% of the basic exclusion amount	\$5,250,000 (04/01/17–12/31/18)	\$5,250,000 (04/01/17–12/31/18)
Top New York gift tax rate—there is no state gift tax, although gifts made between April 1, 2014, and January 1, 2019, will be subject to an estate inclusion if made within three years of death	N/A	N/A

North Carolina Tax Items	2017	2018
Top North Carolina marginal income tax rate	5.499%	5.499%

North Carolina Tax Items	2017	2018
Top North Carolina estate tax rate—North Carolina estate tax \$0 effective January 1, 2013	N/A	N/A
Top North Carolina gift tax rate—there is no state gift tax	N/A	N/A

Rhode Island Tax Items	2017	2018
Top Rhode Island marginal income tax rate	5.99%	5.99%
Top Rhode Island estate tax rate (designed to absorb the state death tax credit allowed under federal law before the 2001 tax legislation)	16%	16%
Estate tax exemption (Note: lower than the federal exemption)	\$1,515,156	\$1,537,656
Top Rhode Island gift tax rate—there is no state gift tax	N/A	N/A

Virginia Tax Items	2017	2018
Top Virginia marginal income tax rate	5.75%	5.75%
Top Virginia estate tax rate—due to the repeal of the federal state death tax credit, there is no Virginia estate tax	N/A	N/A
Top Virginia gift tax rate—there is no state gift tax	N/A	N/A

Questions?

The Nixon Peabody Private Clients group will be pleased to answer any questions you may have. Please do not hesitate to contact us. Thank you.

- Deborah L. Anderson at danderson@nixonpeabody.com or (617) 345-1206
- Mary M. Paul, EA at mmpaul@nixonpeabody.com or (585) 263-1371

¹ For tax years beginning on or after January 1, 2026, this tax law reverts back to that which was effective for the tax year beginning January 1, 2017.

² With some exceptions, the bonus depreciation deduction begins to phase-down in tax years beginning on or after January 1, 2023, and is eliminated for tax years beginning on or after January 1, 2027.