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## Numbers, numbers, numbers — 2017 and 2018

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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).

<b>Federal Income Tax Items</b>	<b>2017</b>	<b>2018</b>
Top federal marginal tax rate for ordinary income (applicable for taxable income over \$470,700 joint and \$418,400 single in 2017 and \$480,050 joint and \$426,700 single in 2018); lower tax brackets are 10%, 15%, 25%, 28%, 33% and 35% in 2017 and 2018	39.6%	39.6%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals in the 10% and 15% tax brackets (taxable income of up to \$75,900 joint and \$37,950 single in 2017 and \$77,400 joint and \$38,700 single in 2018)	0%	0%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals in the 25%, 28%, 33% and 35% brackets (taxable income between \$75,901 and \$470,700 joint and \$37,951 and \$418,400 single in 2017 and between \$77,401 and \$480,050 joint and \$38,701 and \$426,700 single in 2018)	15%	15%
Federal tax rate for long-term capital gains (assets held for more than one year) and qualified dividends for individuals in the 39.6% bracket (taxable income over \$470,700 joint and \$418,400 single in 2017 and \$480,050 joint and \$426,700 single in 2018)	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%

<b>Federal Income Tax Items</b>	<b>2017</b>	<b>2018</b>
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		
Married filing jointly	\$12,700	\$13,000
Head of household	\$9,350	\$9,550
Single or married filing separate returns	\$6,350	\$6,500
Additional amount for over 65 or blind		
Married filing jointly	\$1,250	\$1,300
Single	\$1,550	\$1,600
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)	\$2,100	\$2,100
“Kiddie tax” standard deduction	\$1,050	\$1,050
Personal exemption amount (subject to “phase out,” as noted below)	\$4,050	\$4,150
Range of Adjusted Gross Income (AGI) where the personal exemption “phases out”		
Married filing jointly	\$313,800–\$436,300	\$320,000–\$442,500
Head of household	\$287,650–\$410,150	\$293,350–\$415,850
Single	\$261,500–\$384,000	\$266,700–\$389,200
Married filing separately	\$156,900–\$218,150	\$160,000–\$221,250
Applicable amount of AGI after which itemized deductions are reduced by 3% of AGI over this applicable amount—the “Pease Limitation”		
Married filing jointly	\$313,800	\$320,000
Head of household	\$287,650	\$293,350
Single	\$261,500	\$266,700
Married filing separately	\$156,900	\$160,000
Taxable wage base for Social Security and self-employment income	\$127,200	\$128,700
Social Security COLA (cost of living adjustment)	0.3%	2.0%

<b>Federal Income Tax Items</b>	<b>2017</b>	<b>2018</b>
<p>Additional Medicare tax on wages and self-employment income when wages and self-employment income exceed the following thresholds:</p> <p>Married filing jointly—\$250,000</p> <p>Married filing separately—\$125,000</p> <p>Single/Head of household—\$200,000</p>	0.9%	0.9%
<p>Medicare surtax on investment income when Modified Adjusted Gross Income (MAGI) (which is AGI plus foreign earned income) exceeds the following thresholds:</p> <p>Married filing jointly—\$250,000</p> <p>Married filing separately—\$125,000</p> <p>Single/Head of household—\$200,000</p> <p>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</p>	3.8%	3.8%
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%
<p>Alternative minimum tax (AMT) exemption:</p> <p>Married filing jointly</p> <p>Single</p> <p>Married filing separately</p>	<p>\$84,500</p> <p>\$54,300</p> <p>\$42,250</p>	<p>\$86,200</p> <p>\$55,400</p> <p>\$43,100</p>
<p>Range of AMT taxable income where the AMT exemption “phases out”</p> <p>Married filing jointly</p> <p>Single</p> <p>Married filing separately</p>	<p>\$160,900–\$498,900</p> <p>\$120,700–\$337,900</p> <p>\$80,450–\$249,450</p>	<p>\$164,100–\$508,900</p> <p>\$123,100–\$344,700</p> <p>\$82,050–\$254,450</p>
<p>Health Savings Account (HSA) annual contribution:</p> <p>Family</p> <p>Single</p> <p>Additional “catch-up” contributions for individuals aged 55 or older</p>	<p>\$6,750</p> <p>\$3,400</p> <p>\$1,000</p>	<p>\$6,900</p> <p>\$3,450</p> <p>\$1,000</p>
<p>Maximum traditional and Roth IRA contributions</p> <p>Additional “catch-up” contributions for individuals aged 50 or older</p>	<p>\$5,500</p> <p>\$1,000</p>	<p>\$5,500</p> <p>\$1,000</p>
<p>AGI phase-out range for Roth IRA contributions</p> <p>Married filing jointly</p> <p>Single/Head of household</p>	<p>\$186,000–\$196,000</p> <p>\$118,000–\$133,000</p>	<p>\$189,000–\$199,000</p> <p>\$120,000–\$135,000</p>

<b>Federal Income Tax Items</b>	<b>2017</b>	<b>2018</b>
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
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	TBD
Charitable mileage rate (per mile)	\$0.14	TBD
Medical and moving mileage rate (per mile)	\$0.17	TBD
AGI threshold for deducting qualified medical expenses	10%	10%
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%	TBD
2nd Q	4%	TBD
3rd Q	4%	TBD
4th Q	4%	TBD

<b>Federal Income Tax Items</b>	<b>2017</b>	<b>2018</b>
Amount of compensation that triggers withholding and FICA responsibility for domestic employees (“nanny tax”)	\$2,000	\$2,100
Maximum amount of business equipment that can be immediately expensed under Section 179 (rather than capitalized and depreciated)	\$510,000	\$520,000
Maximum amount of additional first-year depreciation (“Bonus Depreciation”) applied to the adjusted basis of qualified property	50%	40%
Medicare Part B monthly premium—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	TBD
\$85,001–\$107,000 (single) or \$170,001–\$214,000 (joint)—monthly premium	\$187.50	TBD
\$107,001–\$160,000 (single) or \$214,001–\$320,000 (joint)—monthly premium	\$267.90	TBD
\$160,001–\$214,000 (single) or \$320,001–\$428,000 (joint)—monthly premium	\$348.30	TBD
More than \$214,000 (single) or greater than \$428,000 (joint)—monthly premium	\$428.60	TBD

<b>Federal Transfer Tax Items</b>	<b>2017</b>	<b>2018</b>
Top estate tax rate	40%	40%
Top gift tax rate	40%	40%
Top generation-skipping tax (GST) rate for transfers after 12/31/12	40%	40%
Annual gift tax exclusion per donee	\$14,000	\$15,000
Applicable lifetime gift tax exemption	\$5,490,000	\$5,600,000
Applicable estate tax exemption 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	\$5,600,000
Applicable generation-skipping tax (GST) exemption	\$5,490,000	\$5,600,000
Transfers to a spouse during life or at death (U.S. citizens)	Unlimited	Unlimited
Annual gift tax exclusion for transfer to non-citizen spouse	\$149,000	\$152,000

<b>Federal Transfer Tax Items</b>	<b>2017</b>	<b>2018</b>
Reporting threshold for gifts received from foreign corporations and partnerships	\$15,797	\$16,111
Reporting threshold for gifts received from non-resident aliens and foreign estates	\$100,000	\$100,000

<b>California Tax Items</b>	<b>2017</b>	<b>2018</b>
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

<b>Florida Tax Items</b>	<b>2017</b>	<b>2018</b>
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 repealed 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

<b>Illinois Tax Items</b>	<b>2017</b>	<b>2018</b>
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

<b>Maryland Tax Items</b>	<b>2017</b>	<b>2018</b>
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

<b>Massachusetts Tax Items</b>	<b>2017</b>	<b>2018</b>
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%
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

<b>New Hampshire Tax Items</b>	<b>2017</b>	<b>2018</b>
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

<b>New York State Tax Items</b>	<b>2017</b>	<b>2018</b>
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

<b>North Carolina Tax Items</b>	<b>2017</b>	<b>2018</b>
Top North Carolina marginal income tax rate	5.499%	5.499%
Top North Carolina estate tax rate—North Carolina estate tax repealed effective January 1, 2013	N/A	N/A
Top North Carolina gift tax rate—there is no state gift tax	N/A	N/A

<b>Rhode Island Tax Items</b>	<b>2017</b>	<b>2018</b>
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	TBD
Top Rhode Island gift tax rate—there is no state gift tax	N/A	N/A



<b>Virginia Tax Items</b>	<b>2017</b>	<b>2018</b>
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.

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