

2018 Tax Planning

Taxable Income Brackets for 2018 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0 – \$19,050	\$0 – \$9,525
12%	\$19,051 – \$77,400	\$9,526 – \$38,700
22%	\$77,401 – \$165,000	\$38,701 – \$82,500
24%	\$165,001 – \$315,000	\$82,501 – \$157,500
32%	\$315,001 – \$400,000	\$157,501 – \$200,000
35%	\$400,001 – \$600,000	\$200,001 – \$500,000
37%*	Over \$600,000	Over \$500,000

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income.

2018 Trust Tax Rates

These will now apply for the “Kiddie Tax”

10%	\$0 – \$2,550	Beginning in 2018: A child's unearned income will be taxed at trust tax rates , rather than at the parent's tax rate.
24%	\$2,551 – \$9,150	
35%	\$9,151 – \$12,500	
37%	Over \$12,500	

Children affected:

Children under age 18 (or under age 24 for full-time students)

Taxable Income Brackets for 2018 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 – \$77,200	\$0 – \$38,600
15%*	\$77,201 – \$479,000	\$38,601 – \$425,800
20%**	Over \$479,000	Over \$425,800

*Clients in the 15% LTCG tax bracket with MAGI over their 3.8% threshold (\$250,000 joint filers/\$200,000 single filers) will pay an effective rate of 18.8%.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

2018 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate Tax	\$11,180,000	40%
Gift Tax	\$11,180,000	40%
GST Tax	\$11,180,000	40%

*The estate and gift exemptions have been made permanently portable and can be transferred to a client's (surviving) spouse. The GST exemption is NOT portable.

Standard Deductions

Married Filing Joint	\$24,000
Single	\$12,000

Itemized Deductions

Medical expenses for 2017 and 2018 deductible in excess of 7.5% of AGI
State and local taxes limited to \$10,000 overall
Charitable contribution limit for cash donations is 60% of AGI

Qualified Charitable Distributions (QCDs)

The 2015 Tax Act extended this provision permanently for 2015 and all later years. Available only to IRA owners and IRA beneficiaries who are 70½ or older. QCDs are now more valuable due to the larger number of taxpayers that will be using the increased standard deduction.

2018 Tax Bracket Management at a Glance

Pay attention to tax brackets – for each different type of tax – These will generally affect higher income clients.

Top Income and Capital Gain Rates			Top Trust Income and Capital Gain Rates		3.8% Tax on Net Investment Income 0.9% Tax on Earned Income	
	Top Income Rate	Top Capital Gain Rate	Top Trust Income Tax Rate	\$12,500	The 3.8% tax is based on modified adjusted gross income \$250,000 married joint \$200,000 single	
			Top Trust Capital Gain Rate	\$12,700		
Married Joint	\$600,000	\$479,000	The 15% capital gains rate range for trust taxable income is from \$2,600 to \$12,700. Under \$2,600, the trust capital gains rate is -0%.		The 0.9% tax is based on earned income over these limits (wages and self-employment income)	
Single	\$500,000	\$425,800				

Trust Tax Rates – Distributions from inherited IRAs that exceed **\$12,500** and are made to and retained in discretionary trusts will be subject to the top 37% rate. Conduit trusts and Roth conversions during the IRA owner's life become more valuable.