2019

Tax Cuts and Jobs Act

Charles Bellini

Tax Cuts and Jobs Act

An Honors College Thesis

by

Charles Bellini

Spring, 2019

Accounting Department

Faculty Advisor, Jeffrey Hoops

Reader, Ibrahim Siraj

Date

Abstract

Some of the most controversial discussions that are often brought up are derived from the topic of tax. Taxes are arguably the most important and impactful parts of many people's lives. Considering this, people are always curious when it comes to taxes and how changes in society, economics and government effect their personal lives. In 2017 Congress passed the largest tax overhaul in over 30 years, making it very clear that most households will be affected in one way or another. These changes are ones that people should take awareness of as they all directly or indirectly effect the lives of every American.

The changes that were most prolific were derived from the following topics: lower tax rates, standard deductions, itemized deductions, affordable care act tax penalty, estate tax exemption, alternative minimum tax, child and elder care credits, corporate income tax rate, pass-through deduction and bonus depreciation. This paper includes a review as to why Congress decided to allow each change, what their intent was for the change, and the effect it had in the first year. In addition, I will try to advise the taxpayer how to adjust to the change and analyze the behavioral changes of taxpayers based on the new law.

Once these are all discussed, I found it to be important to share real-life situations to allow readers to try and see how these changes may play out in their own lives and the lives of others. Lastly, I will go on to interview two practicing CPAs who had recently finished up their first tax season with the new law in play allowing the reader to see the changes from a professional's perspective. Ultimately, the new law has caused significant changes in taxpayer behavior and has had noticeable effects on the economy and taxpayers as a whole.

TABLE OF CONTENTS

Taxes are certainly one of the more controversial and significant topics of life. Benjamin Franklin said it best when he stated, “The only two certainties in life are death and taxes”. Considering this, people should have a general understanding of taxes, and how they apply to their life, state, and nation. On December 22, 2017, after being passed by the House and the Senate, President Donald Trump signed into law a new tax reform bill: The Tax Cuts and Jobs Act of 2017 (The Act). In this new Act, there were a number of changes that were fairly substantial making an impact in one way or another. In this thesis, I will explain what taxes are and then touch on a number of these tax law changes. After, I will explain what it is that is being changed and then go into detail of why it has been made. Furthermore, I will elaborate on the intended impact of each change and then proceed to identify whether or not the actual impact has yet to line up with what was expected by Congress when they passed the new law. More than one year later, The Act has caused significant changes and continues to have noticeable effects on the economy and taxpayer’s behavior.

From a very basic perspective, taxes are mandatory contributions made by individuals based on an individual’s or business’s income. Taxes can also be derived from a percentage of the cost of some goods, services or transactions. In order for the government to gather the desired amount of income from taxpayers, they set up a system that follows the strict instructions of what is called the “Internal Revenue Code.” The current Internal Revenue Code (The Code) was first enacted by Congress in 1939 and is the body of law that codifies all federal tax laws. The Code has been modified nearly every year with major changes in 1954, 1986 and most recently in 2017. Within the scope of The Act, there were a fair number of changes. Although all of those changes are important, not all will likely be applicable to the lives of the everyday individual. With that in mind, I chose a select few changes that would be the most common and should have the greatest impact on the majority of the population. The changes to be discussed are as follows[1]:

- New tax rates
- Increased standard deduction
- Change in itemized deductions
- Child and elder care credits increased
- Doubled estate tax exemption
- Adjusted alternative minimum tax
- Repeals the Affordable Care Act (ACA)
- Corporate income tax rate decreased
- Reforming of the business pass-through deduction
- Section 179 and bonus depreciation for businesses change

Although some may find this breakdown confusing, all will be explained and made clear as I prove how each change has had an effect on the economy as a whole and on taxpayer behavior.

- New tax rates

  The United States uses a progressive tax system which means that as the taxable amount of money increases so does the tax rate. This system has multiple brackets that divide an individual's income into chunks[2]. It is important to understand that being in a particular tax bracket with a particular rate does not mean that one pays that rate on all of one's income. The government decides how much one owes based on each portion of

[1] "Complete Analysis of the Tax Cuts and Jobs Act." *Thomson Reuters Checkpoint*, Thomson Reuters/Tax & Accounting, 2018

[2] Orem, Tina. "2018 Federal Income Tax Brackets and New Tax Rates." NerdWallet, NerdWallet, 2 Nov. 2018

one's income, and each portion is then taxed at the corresponding rate. Often people are led to believe the myth that sometimes it is better to make less money in order to stay in a lower tax bracket. That notion would be false due to the fact one is taxed on the next dollar of income made. We can see the break down in the following example considering ordinary income.

If one is a single filer and has taxable income of $45,000, one would fall in the 22% tax bracket. This does not mean that all $45,000 will be taxed at 22% but rather that the first $9,525 will be taxed at 10%, the next chunk of income between $9,525 and $38,700 will be taxed at 12% and the rest above $38,700 will be the only portion taxed at 22%. The brackets continue to increase as taxable income increases until it reaches the top amount of $500,000 which will be taxed steadily at 37%. So, if someone made $200,000 a year, his or her first $45,000 will be taxed the same as someone who made a just $45,000, however, his or her higher income would graduate into higher brackets. His or her income made between $38,700 and $82,500 would be taxed at 22%, his or her income between $82,500 and $157,500 would be taxed at 24% and ultimately his or her income between $157,500 and $200,000 would be taxed at 32%. This is important to understand for any individual and especially during the time of significant tax reform.

These brackets were noticeably changed in the new tax reform. In 2018, there will continue to be 7 tax brackets as there were in 2017, however, overall rates have come down.

The rates in 2017 for single filers were as follows[3]:

$0 – 9,325 at 10%

[3] Orem, Tina. "2018 Federal Income Tax Brackets and New Tax Rates." NerdWallet, 2 Nov. 2018

9,325 – 37,950 at 15%

37,950 – 91,900 at 25%

91,900 – 191,650 at 28%

191, 650 – 416,700 at 33%

416,700 – 418,400 at 35%

$418,400 and above at 39.6%

The new rates for 2018 are as follows:

$0 – 9,525 at 10%

9,525 – 38,700 at 12%

38,700 – 82,500 at 22%

82,500 – 157,500 at 24%

157,500 – 200,000 at 32%

200,000 – 500,000 at 35%

500,000 and above at 37%

Depending on if the change is effective, these new rates are scheduled to expire in 2025 unless Congress decides to extend them. There is certainly more to consider than just the lower rates, however, this change alone has had almost immediate effects on the economy and individuals as a whole.

With the lower rates, the government had a number of expected ideas in mind. Its ultimate goal was to put some more money in the pockets of individuals in order to expand GDP and encourage work, saving, and investing. Tax cuts should certainly have a fairly direct correlation with increased GDP. For starters, GDP is the gross domestic product. GDP is determined by a calculation which accounts for a country's spending on exports and imports. Therefore, GDP would be measured as follows: consumer spending plus business investment and government spending plus its net exports (exports minus imports)[4]. This would ultimately determine the total value of goods produced and services provided by a country. With this expectation, we can evaluate the actual effects of GDP in the United States. From 2017 to 2018 there was an increase in GDP of 2.9% even while accounting for inflation. This made for an increase from $19,485,400 million to $20,494,100 million[5]. This matches the highest increase in GDP since 2015 and goes on to satisfy the expectation of The Act. While tax cuts have allowed for more disposable income for individuals and greater retained earnings for businesses, it has led to more taxpayer spending as well.

Taxpayer spending is very important to a country because it will increase the demand for those goods and services in the country. With the greater demand and increased number of consumers, there is an expectation for greater production of goods and services by businesses. This allows for the anticipation of increased demand in workers, ultimately stimulating jobs in the economy. With more people being hired, more money will be in taxpayer's pockets to spend and allow for a growing economy. This should also make up for the loss in revenue because more activity should provide for a larger base of people contributing to government revenue. While the government is anticipated to lose approximately $1 trillion over the next 10 years, it is projected to make

[4] Basu, Chirantan. "How Do Tax Cuts Affect the GDP?" Bizfluent, 2 Oct. 2017

[5] "United States (USA) GDP - Gross Domestic Product 2018." Countryeconomy.com, 12 Mar. 2019

this up with anticipated revenue of $1.8 trillion over the next 10 years from this change in taxpayer behavior[6].

With the new tax rates being changed, there was an immediate effect on other areas as well. One of these areas, in particular, was the withholding amount which is the amount of federal income tax that the government withholds from each paycheck; so, when it is time to pay tax, one does not owe as much, or in most cases, one gets a refund[7]. As previously mentioned, with the new tax cuts and jobs act, people began to see an immediate increase in their paychecks. Due to this increase being relative to the tax cuts, a good way to adjust is for people to adjust their withholdings in order to make sure they are not lending the government interest-free money or to be sure they do not owe money come tax season. Instead of giving the government that money to hold onto, a taxpayer could have decided to invest that money in a high yielding certificate of deposit and make a little more money that way. If one expects his or her refund to be fairly large, one may want to increase personal allowances from an employer-provided W-4 form[8]. This will ultimately result in more money from each paycheck that should be used towards an investment plan and not just unnecessary purchases.

It is very important to be extremely careful when doing this because one does not want to end up owing the government either when the time comes. During the first tax season with The Act in effect, many taxpayers were expecting big returns but did not account for the adjusted withholdings. This actually led to many people getting far smaller returns than prior years or even owing the government because they had received

[6] Basu, "How Do Tax Cuts Affect the GDP?"
[7] Bell, Kay. "How and Why to Adjust Your Tax Withholding." Bankrate, Bankrate, 8 Nov. 2018
[8] Bell, Kay. "How and Why to Adjust Your Tax Withholding."

their "refund" in their paycheck each month. That being said, speaking to one’s employer about adjusting withholdings one way or another, is certainly something one should consider.

A number of basic scenarios where we can see these tax cuts having an effect can simply be taken from the same salary being made from one year to the next and calculating the difference. Someone who is single with taxable income in 2017 of $40,000 would pay a tax of $5,739; in 2018 that person making $40,000 would now pay $4,740. So approximately $1,000 more in that situation while seeing about a 17% spike in his or her taxes saved. With a filing status of married filing joint and household taxable income of $250,000 in 2017, taxes would be $57,717 while in 2018 they would only pay $48,579. About a difference of $9,000 while noticing about a 15% difference from one year to the next. Lastly, for a married filing joint couple with taxable income in 2017 of $1,000,000, they would have paid $341,231 and in 2018 they will pay $309,379. This would be about $30,000 difference showing approximately 9% less than the prior year. Considering this very basic model, the lower income taxpayers seem to be making out better from the tax rate change, however, this is without considering a various number of other factors that could also have an impact. Considering about 80% of all tax revenue is generated through individual income tax and payroll tax, the change to lower tax rates will go on to play a major role in the lives of individuals and the government as a whole.

- Increased standard deduction

The government tries to give us somewhat of a break on how much income we consider taxable. The more significant of these is the standard deduction and itemized deductions. Taxpayers are allowed to deduct the amount of the standard deduction on their tax returns or take all tax-deductible expenses and add them all up and subtract or deduct the total from their income (itemized deductions). The important matter here is that one may deduct one or the other, not both. That being said, one will want to choose the number that is the largest in order to decrease one's taxable income as much as possible.

The deduction being focused on in this section is the standard deduction. This is certainly the one to be most discussed considering over the years about 60% of people would choose the standard deduction. While this number of people who take the standard deduction is already fairly significant, the changes to the new tax law will certainly allow for the change to cause this 60% to jump to around 90% which was the exact intention of the law in order to have a better control and anticipation of what most of the country will be able to deduct. This is because, under the new tax law, the new standard deduction has nearly doubled. While the standard deduction is a set amount for all taxpayers, it is a set amount amongst a certain class of people. The amount is dependent on a filer's status as either single, married filing joint, married filing separate, or head of household. There are also minor increases to these amounts as well that can occur if the taxpayer exceeds the age minimum (65 or older) or is blind. In 2017, the standard deduction for single filers was $6,350 compared to the new amount of $12,000. The previous standard deduction for married filers was $12,700 compared to the new $24,000. With these fairly large increases and the limiting and suspending of some itemized deductions, it is no surprise that economists expect a 30% increase in taxpayers who will choose the standard deduction over itemizing[9]. This standard deduction change is scheduled to expire in 2025 unless Congress decides to extend them.

With the standard deduction nearly doubling, it is important to understand the significance and the reality of it. Although the standard deduction has nearly doubled, going from $6,350 to 12,000 for single filing and $12,700 to $24,000 for married filing jointly taxpayers, Congress has decided to exclude the personal exemption. Personal exemptions were a tax exemption that each person was allowed to deduct for themselves and any dependent. In 2017 the personal exemption was 4,050 which would be added to the $6,350 when taking the standard deduction. That being true, a single filer would be able to deduct $10,400 (4,050 + 6,350) from his or her 2017 return if they chose the standard deduction making the deduction only really jump $1,600 (10,400 – 12,000) from the prior standard deduction plus personal exemption[10].

With that being said, someone who typically takes the standard deduction would be excited about this change (which is the majority of American people), however, an individual who usually itemizes may not be too happy. In addition, the personal exemptions would apply to any dependents, which for large families, that deduction could add up to be significantly greater than the flat $24,000 if married filing joint. They did, however, boost the child tax credit which will be discussed later on. Taxpayers may ultimately want to change whether they itemize one year or take the standard deduction another year, in order to try and get the most they can from the new law.

The best way that a taxpayer can look to adjust to the new standard deduction will best be described once itemized deductions are explained in the following section.

---

[9] Perez, William. "How to Use the Standard Tax Deduction." The Balance Small Business, The Balance, 7 Aug. 2018
[10] Hickey, Walt. "How the GOP Tax Plan Actually Affects Your Wallet." FiveThirtyEight, 21 Nov. 2017

However, there are still a number of situations where we can go on to see how the change is being implemented. From a basic view and obvious perspective, any filer who makes the equivalent of the standard deduction will now have no taxable income. Someone who is a single filer with $50,000 income who has no dependents will report $38,000 taxable income. A married filing joint couple with no dependents and $150,000 income who takes the standard deduction will report $126,000 taxable income. Lastly, someone who is head of the household (HOH) with $100,000 income and one dependent (has to have a dependent in order to be HOH) will report $82,000 taxable income ($18,000 deduction) as oppose to last year when they could deduct $17,450 (9,350 + 4050 + 4050) consisting of the HOH standard deduction and 2 personal exemption for the filer and his or her dependent giving them taxable income of $82,550. However, with a dependent in this picture, we need to account for the child tax credit which is increased from $1,000 to $2,000. So, considering all things equal, the 2017 HOH filer would have tax liability before credits of 14,890 and total tax liability after the $1,000 tax credit of 13,890. In 2018, we can see this change's benefit in effect for someone who takes the standard deduction and all other things being equal. For a 2018 HOH filer of 82,000 taxable income after deduction, his or her taxable liability would be $12,588 before credits and $10,588 after the $2,000 child tax credit for his or her dependent[11]. In this situation, we can see a tax savings of over $3,000.

- Itemized Deductions

[11] "Federal Tax Brackets." Tax Brackets (Federal Income Tax Rates) 2000 through 2018 and 2019

Itemized deductions are eligible expenses that a taxpayer can deduct on his or her tax return in an effort to decrease taxable income. As previously mentioned, a taxpayer may choose to add up all of these eligible expenses throughout the year and deduct them or choose the flat amount known as the standard deduction. The taxpayer would preferably choose the larger amount in an effort to lower his or her taxable income as much as possible. The Act has gone on to nearly double the standard deduction, while also making significant adjustments to itemized deductions.

With The Act in full effect, there are a number of limitations and suspensions to what one can and cannot itemize from 2017 to 2018. This makes it noticeable that the government wants the majority to stay away from itemizing and shift to taking the standard deduction. Some of these limitations and suspensions that were previously a part of 2017 include the medical expense deduction threshold temporarily reduced, State and local tax (SALT) deduction limited, mortgage interest deduction limited, moving expenses deduction suspended, personal casualty & theft losses suspended, and job expenses deductions suspended[12]. Medical expenses in 2017 previously were allowed to be deducted in excess of 7.5% of one's adjusted gross income (AGI). In 2018, that limitation has increased to the excess of 10% of AGI. SALT deductions are the deduction of property, income and sales taxes. While previously in 2017 there was no limit, now one may only deduct up to $10,000 of these taxes ($5,000 for single). Home mortgage interest is basically just the deduction of the interest on one’s home. While in 2017, one was able to deduct interest on loans for up to $1,000,000 for married filing joint couples ($500,000 for single), this year one is limited to interest on homes of $750,000 for

[12] Bird, Beverly. “How the New Tax Bill Affects Itemized Deductions in 2018.” The Balance, The Balance, 6 Nov. 2018

married filing joint ($375,000 for single). Additionally, the ability to deduct moving expenses (with rare exceptions) and personal casualty and theft losses have been removed at least until the expiring of the change in 2025. Job expenses that were previously subject to the excess of 2% of AGI, is now suspended. This includes deductions for unreimbursed expenses incurred for a job, mileage and travel expenses and even tax preparation expenses for an employee (not a business owner). Charitable contributions remain unchanged with the exception to very small minor adjustments. With these changes along with the increased standard deduction, we can see that in 2017 about 46 million people decided to itemize and in 2018 while only slightly over 19 million chose to itemize[13]. This makes it very clear that the intended impact was to indirectly force people to take the standard deduction which would allow for more careful monitoring and more accurate economic predictions and control from a governmental perspective. All of these new adjustments would lead to a variety of different changes in taxpayer behavior while opening up various options for good tax planning to benefit as much as possible.

With this new change, it is no secret who will be getting the short end of the stick and who will be most benefited. Certainly, people with high medical expenses will take a hit but the likelihood of those solely exceeding the standard deduction may not be the most common. Mortgage interest has been limited but the change is not drastic enough to say it would cause many people to change their choice of deduction just from that alone. The SALT limitation is certainly the biggest issue for taxpayers in high tax paying states. It would be most appropriate to take a geographical perspective and examine certain states where there are higher income and property taxes. Some of these states would

[13] Cauble, Emily. "Itemized Deductions in a High Standard Deduction World." Stanford Law Review, Stanford University, 23 Feb. 2018

include New York, New Jersey, California, Maryland, etc. With that in mind, people who would normally have possibly deducted SALT of $50,000 between property taxes and income taxes (which is very realistic in these high taxed states) are now limited to the $10,000 deduction limitation. Not to mention, having that $50,000 would also trigger the opportunity to deduct more minor itemized deduction such as charitable contributions, the excess medical expenses, and the mortgage interest. With only the $10,000 limitation, married people would then have to find an excess $14,000 of deductions from the other ways to itemize just to break even with the standard deduction. This is definitely a hard hit for those states and individuals who do have high property and income tax. Of course, the people outside these states are not as susceptible to exceed the $10,000 limitation by much making them content with the new change.

Another group of individuals that were affected can be employees of real estate companies or insurance brokerages. They tend to drive a fair amount which would previously allow them to deduct these miles as unreimbursed expenses but not anymore. Although they can deduct these expenses if they were a contractor and got paid as one (1099) they would need to consider the potential for self-employment tax; so, it may not be so easy to dodge the suspension of the deduction. Those found in any of these spots may not be so happy with their CPA when their tax liability is higher, or their refund is lower from these adjustments of deductions. Lastly, from the change, fewer people are donating to charities because of the smaller amount of people that do itemize. Considering charitable contributions are only triggered on one's tax return if one itemizes, people have become a little more hesitant to do so since it will not be beneficial for any deductions. Although it should probably not be the reason to donate, it has seen an effect on the minds of taxpayers to stop or just give less. With all of these changes, there may be some ways to benefit even if it may seem these changes are going to harm oneself rather than help.

Some ways to possibly avoid these limited deductions would be, drastic yet possible, to move to a lower taxed state. Certainly, easier said than done, but as these changes are not very favorable for high taxed states, that may be an option to consider. Another option would be to possibly bunch some deduction in order to exceed the standard deduction and go from there. If one usually gives to a charity or a non-profit organization, it may be necessary to donate 2 years' worth of giving in the same year. While doing this, it may allow one to itemize one year and take the standard deduction the next year allowing for a maximum deduction between both years. Giving charitable contributions are pointless for tax deducting purposes if one takes the standard deduction, so considering bunching them may be a good and effective option.

A number of situations and scenarios where we can see this change taking place is given in the following. A single filer with $60,000 income has no adjustments to income so his adjusted gross income (AGI) would be $60,000. Additionally, he has $8,000 medical expenses, charitable contributions of $1,500, unreimbursed employee expenses of $6,000, state income tax of $3,000. That being said, he would have total expenses equaling 18,500 with no limitations in play. With 2017 limitations, he would be able to deduct $3,500 of his medical expenses (excess of 7.5% of AGI), all charitable contributions, $4,800 of his unreimbursed employee expenses (excess over 2% of AGI), and all $3,000 of his state income tax. In 2017, this single filer would choose to itemize with a total of $12,800 of deductions exceeding both 2017 and 2018 standard deduction.

In this exact same situation but in 2018, this filer would only be able to deduct $2,000 of his medical expenses (excess over 10% of AGI), all charitable contributions, no employee expenses and all of his $3,000 state income tax. That being said, his total itemized expenses would be $6,500 which is about half of what he would have been able to itemize in the prior year. This person would certainly take the standard deduction without question. Knowing the rules, he may have unfortunately been more hesitant to donate to charity or tried to consider receiving a 1099 from his employer instead of a W-2.

In another basic situation, a married filing joint couple has 250,000 AGI. They live in New York City, a high tax paying state. That being said, they have about $15,000 state income tax, $8,000 local NYC tax and paid real estate taxes of $12,000. They also have $10,500 of charitable contributions. Their total SALT expenses total $35,000 which immediately exceeds the $24,000 standard deductions. However, with the new 2018 limitation, they would only be allowed to deduct $10,000 of these SALT expenses and, combined with the charitable contributions they would only be able to deduct a total of $20,500 coming short of the standard deduction forcing them to choose the $24,000 standard deduction. However, in 2017, they would have had $45,500 total itemized deductions reducing their taxable income to $204,500 as opposed to having to take the standard deduction this year and having taxable income on $226,000. Within this example, if this couple decided to save their donations for the following year and donate another $10,500 in $2019, they could bunch their charitable contributions to total $21,000 and take $10,000 SALT deduction combing for $31,000 of itemized deductions allowing them to exceed the standard deduction and choose to itemize, making the charitable contributions for both years meaningful in regards to tax deductions. Ultimately, there will be a noticeable difference one way or another, and these are just a couple of basic examples where one would see the change having a very clear effect from one year to the next.

- Child and Elder Care Credits

The child tax credit and dependent care credit all definitely apply to help assist in raising and bringing up a family. They are designed to help and give individuals who have dependents a little boost in income. Due to the loss of the personal exemption deduction for dependents, the additional credit deductions certainly help to bring a bit of relief for those with children[14]. That being said, let's try to understand exactly what a credit is to begin with. A credit is more beneficial than a deduction in most cases because it is a dollar-for-dollar reduction from one's tax liability as opposed to deductions which lower one's taxable income. For example, if one owes $1,500 in taxes, but has a credit of $1,000, then one would owe the government $500 reducing one's tax liability by $1,000. It is also important to understand the difference between refundable and non-refundable credits. Refundable credits allow for a taxpayer to get money back from the government if the credit exceeds the tax liability[15]. For example, if a taxpayer has a tax liability of $1,000 and has a refundable credit of $1,500, then the government will refund the taxpayer $500. If the credit was non-refundable the tax liability would be reduced to $0 and no money would be returned to the taxpayer.

[14] Berry-Johnson, Janet. "Tax Breaks for Caring for An Elderly Family Member." Forbes, Forbes Magazine, 29 Apr. 2016
[15] Josephson, Amelia. "All About Child Tax Credits." SmartAsset, SmartAsset, 16 Nov. 2018

Now that we understand how credits work in regard to taxes, let's break down the change to credits the new tax law made. One major change, which was crucial to the suspension of personal exemptions, is the doubling of the child tax credit. Before The Act, one was able to take a personal exemption for oneself and all dependents. Now, with the removal of personal exemptions, taxpayers with many dependents were lined up to take a big hit. However, with the removal of personal exemptions, Congress also decided to double the tax credits given per child, increasing the child tax credit from $1,000 to $2,000 per dependent child. In addition, this $2,000 is now also refundable up to $1,400; meaning the taxpayer can get a payout from the government of up to $1,400 given the credit exceeds his or her tax liability by that amount[16]. This differs from the old law which made the entire credit non-refundable so if there were any excess credit dollars, it would all be lost. Additionally, there is however a phase-out for the use of the credit. The phase-out begins at $200,000 starting in 2018 and is up from $75,000 in 2017. This basically means once one's income reaches $200,000; the credit will begin to incrementally diminish until one's income gets high enough where the credit is fully washed out. So as opposed to one's taxable income having to be $75,000 before the phase-out, one can take the full credit up until one's taxable income reaches $200,000, opening up the opportunity for higher taxpayers with dependents to collect this refundable tax credit[17].

The new tax law also allows for $500 credit for a non-child dependent if eligible. This credit was originally supposed to be only $300 based on the house and Senate bills but was then increased to $500 in the final bill sent to the President for signing into law.

[16] Josephson "All About Child Tax Credits." SmartAsset
[17] "Child Tax Credit and Credit for Other Dependents at a Glance." Internal Revenue Service, 2018

This credit is a non-refundable credit and the dependent must be a US citizen in order to take the credit on his or her behalf. This dependent credit is also subject to the same $200,000 phase out for single filers ($400,000 for married filing joint) in 2018 and is also up from 2017, which was $75,000 for single filers ($110,000 for married filing joint); the same as the child tax credit phaseout limitations[18].

The intended impact for this change, in particular, is clearly to help the typical family in America. The government seems to understand the expenses incurred by children, and although a child is worth a lot more than just a $2,000 tax credit, every penny can certainly help. They also know that people have elderly parents who cannot take care of themselves or other people who depend on them and they also want to encourage that type of assistive behavior. Again, a $500 credit may not come close to all incurred costs, but it certainly can make a dent in a lot of lives.

Some scenarios where we can see these credits in full swing can be seen in the following examples. A married filing joint couple with $85,000 of taxable income and 4 children would have before credit tax liability of $6,939. After taking the child tax credits into account, they would have a tax refund of $1,061. If they had another child, they would take another $2,000 credit allowing their credits to total $3,061. However, as previously mentioned, the credit is only refundable up to $1,400; so that is what their refund would be. Alternatively, if a single filer was taking care of his or her elderly mother and qualified her as a dependent, he would become head of the household. That being said, if he or she had $25,000 taxable income, giving he or she before credit tax liability of $700, he or she would be left with only $200 tax liability after taking the

[18] "Child Tax Credit and Credit for Other Dependents at a Glance." Internal Revenue Service, 2018

dependent credit. If he or she had taxable income of $20,000, his or her before credits tax liability would be $200 and completely reduced to nothing after taking the $500 dependent credit. Notice he or she would not get a refund of $300 because this is a non-refundable credit as previously discussed.

- Doubled Estate Tax Exemptions

The estate tax exemption is a transfer tax imposed by the government on gratuitous transfers of property (gifts) or transfers at death that exceed a certain limit. The gift tax would be imposed on transfers made during life and estate taxes would be imposed on transfers that were made at death. It is important to note that this is a completely separate tax on the transfer of the estate, not a part of income tax. All of this tax is paid, assuming the amount of the transfer exceeds the exemption limit. The new tax law has gone on to double the estate and gift tax exemption with regard to the transfer tax.

Compared to before The Act, this exemption has gone from $5.49 million in 2017 to $11.2 million in 2018. This is for single individuals; therefore, the married exemption amount would be double at $22.4 million in 2018. The federal tax rate on any amount that exceeds this exemption limit would be taxed at 40%. This may not be the most common change to most people, but it will definitely please many that are affected by it. This is another temporary change and will go on to expire in 2025 unless Congress votes to extend it. That being said, it may be very important to try and take advantage of this before the law expires. One of the biggest concerns, however, was if there was a claw-back on gifts made during the time of the new exemption, would this be honored throughout the expiration of the law. This would not be the case and would turn out that one of the major benefits of this exemption is that even though it expires in 2025, an individual does not have to die in that time period in order to have an heir inherit his or her property[19]. If one is a rich, healthy widow who is not expecting to die before 2025, one can give one's child a gift during the window of the larger exemption.

For example, if the widow dies after 2025 and the children inherit $11 million, they will get the $6 million exemption and be taxed at 40% on the rest. However, if the widow gives a gift of $11 million in the window before 2025, it will entirely be tax-free ultimately giving more money. This will remain tax-free forever with no reach back rule to be applied after the expiration of the law[20]. People should look to take advantage of this quickly and speak to their tax advisor about whether or not they should send a gift if it does fall in that vast amount of exemption.

Prior to The Act, only 2 in every 1,000 (0.2%) estates would pay the tax. Of course, they really did not want this tax to be paid considering the fact there was already tax on the property. So, the government was well aware that it was not often exercised. However, for the few that did take, it must have been one too many for Trump. The new law makes it fewer than 1 in 1,000 (0.07%) estates to go on and pay the tax after the increased exemptions[21]. The intent is really to be sure that only the highest of the high valued estates are unfortunately forced to pay and try to save a few extra people from having to pay that fairly brutal tax. Although it only drops from 2 to 1 in every 1,000 estates, it is an over 50% drop in the expected estates that will have to pay, making the

[19] Ebeling, Ashlea. "IRS Hands the Rich Certainty on Trump Estate Tax Sweetener: No Clawback On Huge Gifts." Forbes, Forbes Magazine, 21 Nov. 2018

[20] Sahadi, Jeanne. "New Estate Tax Law Gives an Enormous Gift to Rich Families." CNNMoney, Cable News Network, 9 Jan. 2018

[21] "Doubling Estate Tax Exemption Would Give Windfall to Heirs of Wealthiest Estates." Center on Budget and Policy Priorities, 9 Nov. 2017

change somewhat substantial from a percentage point-of-view. Certainly, the people to benefit are going to be the wealthy enough homeowners and heirs of those wealthy individuals to have this type of property. Given, the people avoiding the tax that fall in the $5.49 to $11.2 million windows will certainly benefit most. They completely avoid the tax under the new law ultimately saving them a lot of money. Also, the super wealthy with an estate worth over $11.2 million is still benefitting because his or her dollars do not start getting taxed until they exceed the $11.2 million as opposed to the $5.49 million. This is all ultimately really big money so that hefty 40% can make a major dent on that type of gift or inheritance.

Although there are no real “losers” from this change, the assumption is that the government may take a slight hit. Nothing too drastic, but of course the estates they can collect that heavy tax from is now cut in nearly half while not increasing the rate at which the excess dollars are taxed at. That being said, one can argue that in this particular situation, the government does, however, take the mild loss but nothing that they cannot afford.

Ultimately, the savings on the tax dollars for the few should put more money in the pockets on those individuals, which can allow them to spend more in the economy. That is another ultimate goal of the change and can cause for that minor change in taxpayer behavior. Additionally, we can expect a lot of change in that area of the law as people will start to accelerate their gifting of estates to their heirs. We can go on to expect this type of movement in the country. Many tax advisors will tell their clients to try to take advantage if possible. They will make the claw-back rule very clear and be sure that they do make these adjustments prior to the 2025 expiration of these new laws.

Ultimately, people should see if they would be someone who might be a victim of this tax and speak with their tax professional to make the best decision. It can potentially save people thousands or even millions considering the high dollar amounts being dealt with here.

Some basic scenarios we can see this tax being used are in the following. If a widow with 2 children passes away with $8 million worth of an estate, her children will go on to inherit the entire $8 million tax-free after the implementation of The Act. In 2017, if the widow passed away, the children would be subject to pay a 40% tax on $2,510,000, which would compute to $1,004,000. They would only inherit $6,996,000 as opposed to the entire 8 million. In this same situation, if the widow does not pass away this year and is very healthy, knowing the new tax change, she may want to consider transferring the estate as a gift inside the window of the change and its expiration. That being said, if she decided to gift her children the $8,000,000 of the estate this year, she would not be subject to tax. As previously mentioned, if she does this now and the law expires and is reversed to the original $5.49 exemption limit in 2025, and she passes away afterwards, the money would remain tax-free regardless. In this example, we can see savings of over $1 million from this new change making for it being very beneficial for those who do fall into the situation to experience it.

- Alternative Minimum Tax Change

The Alternative Minimum Tax (AMT) is a mandatory alternate way to pay taxes as opposed to the standard income tax. It is basically required for those who might have too many tax exemptions and deductions and therefore, leads the government to believe these taxpayers aren't paying enough taxes. In this case, one would need to calculate one's standard tax and then calculate the AMT. This can be tedious because one has to calculate one's taxes twice, but most software will detect if the AMT is a possible option for the taxpayer[22].

The AMT differs from regular tax rates because it does not have a standard deduction, nor allows for a lot of popular itemized deductions. There are only two tax rates in the AMT: 26 percent and 28 percent. The tax rates are 26 percent on income below the AMT threshold, and 28 percent above the threshold. In 2017, the threshold stood at $93,800 for those who were single. In 2018, the threshold is increased to $191,500 for taxpayers filing as single. The threshold begins to phase out as one makes more money. In 2017, every dollar made over $500,000, $0.25 of one's exemptions, would begin to disappear. The same is true for 2018, however, the phase-out starts at $1,000,000. So, for every $4 that someone makes over $1,000,000, they would lose a dollar of his or her exemption amount. This exemption in 2017 was $54,300 for single individuals and $84,500 for married couples filing jointly. In 2017, the exemptions see a significant increase. Single taxpayers have an exemption amount of $70,300 and married filing joint couples are exempt up to $109,400[23]. These fairly large exemptions and phase-out's are so the AMT directly impacts few high-income taxpayers and do not affect lower income taxpayers making this a very rare situation to pay.

Congress was certainly very concerned with the AMT which not many people were very favorable of either. With the newly updated law reflecting multiple itemized deduction limitations and adjusted bracket rates, the number of people that took and

[22] Amadeo, Kimberly. "What Is the Alternative Minimum Tax? Who Has to Pay?" The Balance, The Balance, 30 Oct. 2018
[23] Amadeo "What Is the Alternative Minimum Tax? Who Has to Pay?" The Balance, 30 Oct. 2018

triggered the AMT on their tax return falls from a drastic 4.5 million people to about 200,000[24]. Considering congress wanted to remove it as a whole, they were able to approve for the small number that would end up taking it. The large increase in exemption for personal exemption is larger than ever which allows for only the wealthier people to be victims of this. Only very odd situations should trigger the AMT such as large incentive stock option exercise, otherwise tax-exempt interest from private activity bonds, foreign tax credits, passive income and losses, net operating loss deductions or a significant municipal bond portfolio. That being said, many taxpayers who had it triggered in the past are likely not going to have to pay it again this year unless they do fall in one of the very rare situations. This will ultimately allow for taxpayers who were affected by this from more common reasons, such as having a large family or just living in a certain state, to avoid this. These taxpayers who are now able to avoid it should ultimately lead to a bit more money in their pockets.

This change comes at a good price for the taxpayers who had to usually take the AMT. As previously mentioned, around 4.3 million people who formerly paid the AMT did not have to. This has allowed them to take full advantage of all their legal tax deductions, write-offs, exemptions, etc. This is a big win for those 4.3 million people because the difference between their tax liability and their AMT tax liability could certainly have been a large number. The government seems to bite the bullet on this one, however, they originally expected to completely eliminate it as a whole. It was not until late in the passing of the law that they decided to keep the AMT and modify it. They will be missing out on some income here, but not all of it while those 200,000 will still trigger

[24] Steffen, Tim. “Alternative Minimum Tax a Casualty of Tax Reform Nobody Will Miss.” InvestmentNews - The Investing News Source for Financial Advisers, InvestmentNews, 24 Aug. 2018

it and pay. Similar to numerous other governmental intentions, this gives a little more money to that many more taxpayers in order to hopefully continue to spend more and keep the economy moving in the right direction.

A major scenario where we can clearly see this change is the most common change relative to this situation where someone who formally would have to take the AMT, no longer will have to. A married filing joint couple with 3 children has $310,000 of income. Additionally, they have SALT deductions of $21,000, home mortgage interest of $16,000, and charitable contributions of $5,000 giving them total deductions of $42,000. Based on this information, their 2017 tax return would include personal exemptions of $20,250 (5 personal exemptions x $,4050) giving them taxable income of $247,750. After calculating taxable income, we can conclude that they would have tax due of $56,975. Now in 2017, a situation like this would have triggered AMT which would force us to compute the AMT for this couple. Based on the same facts given but for AMT calculations, the SALT deductions would not be deductible, and the personal exemptions would also be eliminated. This would ultimately lead to a tax liability of $63,471 forcing the couple to have to pay the greater of the two making them a victim of taking the AMT tax due of $63,471.

Now in the same situation but for 2018, this couple would have all the same deduction except for their SALT would be limited to $10,000 as described earlier in this paper. That being said, they would have regular taxable income of $279,000 giving them tax liability of $55,539 less $6,000 (3 child tax credits) giving them tax due of $49,539. Now, since they normally would take the AMT from what we calculated last year, it would be necessary for us to determine what their AMT tax liability would be in 2018.

Given the same facts but for AMT calculations, they would not be able to deduct any of their SALT, giving them a taxable income of $289,000 making their taxable liability $46,696. Additionally, their child tax credits would lower their tax liability dollar-for-dollar by $6,000 giving them tax due of $40,696. These changes result in this couple not having to take the AMT making them liable to pay their regular tax of $46,696. This model also shows how much less their $40,696 2018 AMT tax due is compared to their $63,471 2017 AMT tax due. That is an over $22,000 difference really exemplifying the change and how not many people will be subject to pay this tax. This family in particular or someone in a similar situation will definitely be ecstatic with the new adjustments from The Act.

- Repeals the Affordable Care Act

The Affordable Care Act (ACA) is a requirement the government makes on individuals to be covered by a health insurance plan that has minimum essential coverage. Those who do not meet this requirement of healthcare are required to pay a "shared responsibility payment." This is basically another way of saying that they would be required to pay a tax penalty for not having some type of qualified healthcare plan. Unless one has an exemption that applies to oneself, then the penalty can be imposed for any month not covered by at least the necessary minimum insurance requirement.

Minimum essential coverage includes coverage such as Medicare, Medicaid, the Children’s Health Insurance Program (CHIP and TRICARE), eligible employer-sponsored plans, plans obtained in the individual marketplace, certain grandfathered group plans, and certain other coverage specified by the Government. One may also be exempt if one fits into one of the following categories: one's household income is below the federal income tax return filing threshold for the year, one lacks access to affordable minimum essential coverage, one suffered a hardship in obtaining coverage, one has only a short-term coverage gap; one qualifies for an exception on religious grounds or have coverage through a healthcare sharing ministry or one is not a U.S. citizen. These are only important for this year because, as previously mentioned, the tax penalty or "individual mandate" will be fully repealed beginning in 2019[25].

The new tax law has gone on to repeal this penalty, however, it will not begin until the months beginning in 2019. This was very important to take notice of because many people assumed that the change would take place when most of the other tax reform changes occur which would be during 2018. This is not the case and if one did not have the minimum essential coverage for 2018, they probably had a steep penalty to pay when they filed in 2019. The ACA tax penalty for 2017 was marked at $695 for each adult who did not have insurance while the penalty for children is half of that amount at $347.50 per child (family maximum penalty of $2,085). However, for those very wealthy individuals who might not mind this tax, the amount paid is the sum of these penalties per person or 2.5% of household income. Whichever is greater is the amount that the taxpayer would have to pay[26]. In a lot of cases, the penalty could be similar to the equivalent of, or even less than, getting the minimum required health insurance which could not only prevent the fee but also cover one for a catastrophic incident where one's health is impaired. The penalty pushes one to get some sort of insurance to try and spread out the cost of insurance amongst as many people as possible; however not many

[25] Bischoff, Bill. "Taxpayers, You Are Still on the Hook for the ACA Individual Mandate." MarketWatch, MarketWatch, 6 Aug. 2018
[26] Bazar, Emily. "The Obamacare Tax Penalty Isn't Dead Yet." CNNMoney, Cable News Network, 3 Mar. 2018

people are so happy not being allowed to freely choose as to whether or not they want health insurance. Based on the new law, effective in 2019, the ACA penalty has been completely repealed and, unlike most of the other changes from The Act, this change will not sunset in 2025 and will remain permanently removed.

Generally, taxpayers would not mind the tax because most people have health insurance from employers or are exempt for whatever reason, so the majority of people will naturally just avoid the tax, to begin with. However, due to the anticipated bump in insurance premiums from the repeal, a number of people were actually more favorable of keeping the tax penalty for that reason. Since people have enrolled in the minimum coverage of Medicaid to avoid the tax, where there are no premiums, they are not concerned about the tax and will probably continue to keep their insurance regardless of the change to the penalty. The 7.5 million people who pay full price for their coverage, however, may certainly be all for the repeal. These are most likely the healthier people who do not qualify for Medicaid but are being forced to pay for expensive health insurance or the ACA penalty[27]. Another issue with this was an easy cause for taxpayers not to desire compliance with the law and just take the tax penalty. Additionally, a number of people would just not pay the tax at all if they did not have the money. However, those people will be happy to hear about the repeal but hopefully were aware that it will not be in full effect until 2019 or they would have had to pay that penalty in this current year.

The best way to adjust to this new change would certainly be to look into one's current healthcare situation. Now one can make one's own health care decision without

[27] Eiber, Christine, and Sarah Nowak. "The Effect of Eliminating the Individual Mandate Penalty and the Role of Behavioral Factors." Commonwealth Fund, The Common Wealth Fund, 11 July 2018

having to think about the effects it will have on one's tax return. Additionally, it is important to follow up with the status of the health insurance that was provided as a result of the ACA such as Medicaid. The new administration is in talks to remove the government provided insurance for the less fortunate which could directly impact over 12 million people. Of course, there should also be some options for these people to turn to if that situation does occur and Medicaid or other government-funded insurance is removed.

We can take a very basic example of a married filing joint couple with 2 dependent children, household income of $75,000 and no health insurance in all of 2018. That being said, they would have adult penalties of $1,390 ($695 x 2 adults) and penalties for both children of $695 ($347.50 x 2 children). Additionally, they would pay a total penalty of the greater of $2,085 ($1,390 + 347.50) or $1,875 ($75,000 x 2.5%). Evidently, this couple would have a penalty of $2,085. In a similar situation where all other facts are the same but with $500,000 household income, this person would pay the greater of $2,085 ($1,390 + 347.50) or $12,500 ($500,000 x 2.5%). Clearly, they would have to pay the $12,500 which they could have used to probably pay for a low-level insurance plan which could have covered them in case of a health emergency. Instead, they had to pay that amount anyway and were not even covered. Lastly, we can examine a situation of a married filing joint couple who had $75,000 household income, 5 children and no health insurance. We can take notice that they would typically have to take the greater of $3,127.50 from each person not covered or $1,875 from the percentage of household income. Although the greater of these is $3,127, as previously mentioned the maximum penalty that can be paid from the sum of individuals not being covered is $2,085; this couple would be liable for $2,085 of a tax penalty added to their tax liability.

Ultimately, as taxpayers, we should all be aware of everything that effects a tax return, even penalties that may not be as directly relative to any type of income or expense.

- Corporate income tax rate decreased

  The corporate tax rates are basically the government-imposed tax rates for corporations. Due to the fact that corporations are identified as separate legal entities, they are typically taxed as if the corporation was a person itself. While individual returns are due April 15, corporate tax returns are typically due March 15. Prior to the tax reform, corporations had a progressive tax system similar to individual tax rates. That being said the corporate tax rates were as follows:

  - 15% for income up to $50,000
  - 25% for income of $50,001 - $75,000
  - 34% for income of $75,001 - $10,000,000
  - 35% for income over $10,000,000

  Additionally, personal service corporations paid a 35% flat tax rate on its entire taxable income. These graduated tax rates would be eliminated under the new tax law causing one of the most significant provisions of The Act. There is now a flat tax rate of 21% for all C corporations including those providing professional services. This new rate lowers the USA from the top spot as the most expensive country to own a corporation in. The new rate would put the USA behind 13 other countries allowing it to be more marketable to corporations staying in the country and even to entice more foreigners to want to incorporate in the USA[28].

[28] York, Erica. "The Benefits of Cutting the Corporate Income Tax Rate." Tax Foundation, Tax Foundation, 5 Nov. 2018

The new lower corporate tax rate will discourage profit shifting of corporations in the United States. This was a major intent of the new law and economists suggest that corporate income taxes are the most harmful type of tax. This allows them to believe that workers bear a fair portion of this burden. Reducing the corporate income tax will benefit workers as new investments will potentially boost productivity and lead to wage growth. With the extra wages, we should have economic growth and people should ultimately alter their behavior for the better of the economy. Unlike most of the other discussed tax changes, this change to corporate tax rates is permanent and will not go on to sunset in 2025[29].

The corporate tax rates will have a lasting effect on a number of areas in America. One of the first and more significant effects would be a long-term boost of GDP which is expected to increase by 3% in the long run. Another anticipated increase is that it is expected to increase capital stock by over 8% allowing for effects such as a 2.5% wage increase and has been noted to have added about $600,000 jobs directly correlated with the corporate cut which was another major intent of the change.

Many people may think that the corporate tax rates are not relevant to them, however, the change will have effects on millions of individuals. It may not put cash in the taxpayer's pocket directly, but it can increase after-tax income and increase the standard of living as well. When companies have more money, they are able to update its tools making its workers more productive. More productive workers can typically lead to workers being more beneficial allowing for higher wages as well as giving them a better standard of living. The corporate tax rate is estimated to increase the after-tax income of

[29] York "The Benefits of Cutting the Corporate Income Tax Rate." Tax Foundation, 2018

workers in America by an average of $1,800[30]. It may be an indirect effect, but it is certainly directly correlated and is something taxpayers should be excited about; making them and most corporations clear winners in this change.

Immediately after The Act was signed into law, many companies sought to take advantage of the drastic drop in corporate tax rates. They decided to increase the wages of workers and give bonuses proving the effect it had on everyday taxpayers and not just corporations. Some of the companies that made those changes included Apple, AT&T, Boeing, Charter Communications, Chipotle, Comcast, CVS, Home Depot, Chase, JetBlue, Lowe's, MetLife, Starbucks, Southwest Airlines, U-Haul, Verizon, Walt Disney, Walmart, and Wells Fargo. Each of these companies decided to give back to their employees in one way or another. To take chase, for example, they increased the hourly wages for their workers from $15/hour to $18/hour for roughly 22,000 workers[31]. These workers were also expected to receive a $750 bonus that month on top of the wage increase as a direct result of the corporate tax cut. We are still seeing those increased wages in effect a couple of years later without having the government adjust and increase the minimum as they have been guilty of doing in the past. This is a perfect situation for the government having companies pay more just from lowering the corporate tax rate. This should certainly help more people than it will harm, and we have seen that from very clear results now two years into the new law.

If a C Corporation has a profit of $5,000,000 after expenses, such as cost of goods sold, administrative expenses, depreciation, etc. they will be subject to pay a tax of $1,050,000 ($5,000,000 x 21%). In 2017, based on the graduated tax rates, this

[30] Hodge, Scott A. "The Jobs and Wage Effects of a Corporate Rate Cut." Tax Foundation, Tax Foundation, 1 Nov. 2017
[31] Barrabi, Thomas. "Tax Reform Windfall: These Companies Are Hiking Pay, Delivering Bonuses." Fox Business, Fox Business, 27 Mar. 2018

corporation would pay $1,700,000 of corporate tax making its effective tax rate 34%. If this tax was on a professional service corporation, they would pay $1,750,000 which is the 2017 flat tax rate of 35% for professional service corporations. In another example with a drastic increase in taxable income giving a corporation profit of just $100,000, its 2018 corporate tax due would be $21,000. In 2017, this C Corporation would pay $22,250 giving it an effective tax rate of 22.25%. However, if this was a professional service corporation, they would owe $35,000 making for a 2018 savings of $14,000 from the change produced by The Act.

- Reforming of the business pass-through deduction

Under The Act, there is a new deduction for pass-through entities. These entities would include companies such as partnerships, S corporations, and sole proprietorships; all of which are not subject to the corporate income tax. S corporations are taxed in a different way than C corporations. The shareholders of an S corporation are taxed on its percentage share of the taxable income (called a distributive share which flows directly through to his or her personal tax return) which allows them to pay their tax on their individual taxpayer rate. Additionally, S corporations do not pay dividends to their shareholders as C corporations do, however they may pay shareholders a distribution share instead or give them a salary[32].

This new deduction for flow-through entities will allow individuals to exclude up to 20% of their business income on their federal income tax as opposed to last year when there was no deduction. However, it gets a bit more complicated than this. The deduction

[32] Murray, Jean. "Learn About Corporate Tax Rates and How to Calculate What You Owe." The Balance Small Business, Dotdash, 11 Dec. 2018,

is limited in order to prevent any abuse of the deduction. These limits are based on the economic standpoint of the business, the wages paid by the business and the original cost of the businesses' property[33]. First, business owners may take the 20 percent deduction if they have taxable income that's under $157,500 if single or under $315,000 if they're married. However, these rules are different for professional service companies. Business owners of professional service companies (such as doctors, Lawyers, accountants, etc.) get a reduced deduction if their taxable income exceeds the $157,500/$315,000 thresholds and is still under the $207,500/$415,000 threshold. For these professional service companies, their deduction is completely eliminated if they exceed the $207,500/$415,000 threshold[34].

A major reason and intent of the new deduction is clear; to allow these business owners to keep pace with the previously discussed corporate tax cut offered by The Act and deliver them much needed tax relief. The majority of companies in the United States are pass-through businesses making this for another major change in the tax law. 28.3 million out of the 30.8 million private business establishments that operate in the United States are pass-through entities[35]. That being said, this newly added deduction makes the companies that are able to take this deduction the big winners. They should have mostly reduced rates from the regular tax rate adjustments and now take an additional qualified business income deduction. This is definitely something that these businesses will look to take advantage of because it is also another temporary change to the tax law that will expire in 2025 unless stated otherwise by Congress.

[33] Greenberg, Scott, and Nicole Kaeding. "Reforming the Pass-Through Deduction | Section 199A." Tax Foundation, Tax Foundation, 30 July 2018
[34] Warnes, Bryce. "How the 2018 Trump Tax Plan Affects Your Small Business | Bench Accounting." Bench, Bench, 17 May 2018
[35] Greenberg, "Reforming the Pass-Through Deduction | Section 199A." Tax Foundation, 2018

A major way that taxpayers will be affected by this is by the ability to choose the proper way to file, whether it be as a flow-through entity or a C corporation. From the outside looking in, it may seem as though the 21% flat tax would be best, and in a number of cases that may be true, however, C corporations are subject to double tax. The corporation itself would be taxed at the flat 21% tax and then the dividend distribution would also get taxed at its respective rates. That being said, if a high taxpayer is taking in flow-through income in a high bracket, it may seem as though he should elect C corporation status for his business, but that may not always be true. Taxpayers will certainly try to get the best possible benefit from the new changes. There are also a number of factors that come into play in order to be able to elect a certain status. Also, with the new deduction for filing as an S corporation, this can add some more tax-free dollars in the pockets of many entrepreneurs allowing them to potentially spend more or increase some wages for their workers, allowing them to return a little more money into an improving economy. Ultimately, this new change puts taxpayers in a situation to pick and choose what they would qualify for and to try and appropriately adjust accordingly in order to benefit them and many corporations.

A company that files as an S Corporation has taxable qualified business income (QBI) of $100,000. Considering this, the single filing sole owner will have flow-through income of $100,000 on his or her personal tax return while taking the standard deduction with no eligible credits. That being said, in 2017 this person would pay tax on $89,600 (considering standard deduction and personal exemption) of income giving him or her total tax due of $18,139. In the same situation but in 2018, he or she would be able to deduct his QBI by $20,000 ($100,000 x 20%) giving him or her flow-through income of

$80,000. After taking the new standard deduction they would have taxable income of $68,000 (considering standard deduction) giving him or her total tax liability of $10,900 reducing his tax due by nearly $8,000 from 2017 to 2018. If this single filer would have exceeded the limitation threshold, he or she would not have been able to take the deduction giving him flow through taxable income of $88,000 and tax liability of $15,410. It is still less than the prior year's tax liability but that is more relevant to the adjusted tax rate schedule and increased standard deduction since he exceeded the threshold and wasn’t eligible for the deduction.

- Section 179 and bonus depreciation for businesses

Section 179 depreciation and bonus depreciation are certainly valuable tax-saving tools for any eligible businesses. Section 179 and bonus depreciation allows for businesses to take an immediate first-year deduction on the purchase of eligible business property, in addition to other depreciation. This is instead of usually having to take depreciation of assets over a certain period of time. Especially for larger businesses, this immediate tax expensing strategy can put big money back in the pockets of taxpayers immediately. This allows for accelerated capital in that first year from the deductions which they can use towards the payments of their newly purchased asset, in addition, to actually reduce the value of the qualified property from their tax savings.

Under the old law, businesses could only depreciate 50% of its 179 depreciable qualified property in the first year with a maximum cost of $500,000. Now, the first $1,000,000 is able to be depreciated in the first year doubling the prior limitation. The Act also increases the phase-out threshold from $2 million to $2.5 million. Additionally, any qualified business property would be eligible for a bonus depreciation which was 50% in 2017. With the new law in place, any qualified property placed in service after September 27th, 2017 will be able to be depreciated by 100% of the cost of the asset in the first year that exceeds the section 179 $1,000,000 uncapped. This can be for new AND used equipment as opposed to old law which only allowed for new equipment. The new law also allows for inflation adjustment as well as property improvements. This particular change to section 179 is permanent as opposed to the bonus depreciation which will begin to phase-out from 2023 to 2026[36].

A major reason and intent for this change was that Congress really wanted to encourage more purchases. Due to the new law, taxpayers and business owners will now be getting advised by their tax professionals to try and make any purchases they've been planning on making, in the current year up to 2023. Once 2023 hits, the amount to depreciate will decrease by 20% each year through 2027. With this mindset of many business owners and taxpayers, it should lead to more money spent, stimulating more economic production and so far, it has done just that. Taxpayers have ultimately been taking as much advantage of this as possible and done exactly what was expected, buy more new and used qualified property [37]. Taxpayers have been very satisfied with the change making them the big winners from this change. Of course, the ones who are able to make those necessary eligible purchases and have corporations will definitely make out best. The best way for taxpayers to take advantage of and reap the benefits of this

[36] "New Rules and Limitations for Depreciation and Expensing under the Tax Cuts and Jobs Act. "Internal Revenue Service, Internal Revenue Service, 5 Nov. 2018

[37] Defler, Kerry. "3 Reasons Why the New Tax Depreciation Rules Are Great for Your Business." Bizjournals, The Business Journals, 29 Mar. 2018

change would be to make those suggested purchases in the appropriate years. This can lead to a huge, well-deserved deduction that all taxpayers want.

A lot of this may have been somewhat confusing to many who are not very familiar with how this type of depreciation works or even how depreciation works period. Hopefully, the following example can help to illustrate a clearer understanding of what exactly the change is and how it is used in real life. A company makes purchases of eligible equipment totaling $1,500,000. Of this $1,500,000 the first $1,000,000 would be immediately expensed or written off according to section 179 rules. Although it limits the section 179 depreciation to 1 million dollars, the remaining $500,00 is still left over. That being said, they can take an additional deduction of $500,000 which would be the 100% bonus depreciation in effect on that $500,000. This would provide for a first-year total deduction of $1,500,000. This would give them total cash savings on the tax of $315,000 ($1,500,000 x 21%). If this same situation occurred in 2017, there would be $500,000 section 179 depreciation taken and then allow for a 50% deduction of the remaining $1,000,000. They would then be allowed to deduct another $500,000 ($1,000,000 x 50%) allowing them to only deduct a total of $1,000,000 bringing them $500,000 short in comparison to the 2018 allowed deduction. Ultimately, this new change to the law has gone on to allow for great savings and led to significant purchases by businesses in the year The Act has been active.

Now that we have covered an in-depth analysis of some of the more common changes to the law, Congress' intended impact and whether or not the change had resulted in the intent of The Act, we can sum this all up to see how it may apply to one's life. That being said, each of following scenarios are going to reflect most of the changes that were previously discussed throughout this paper. In these examples, I am going to use real names of made up people in an effort to make each scenario as similar and clear to what the majority of Americans may experience in real-life based on all of the new changes mentioned from The Act.

- Scenario One

Bob and Jenny are a married couple who will be filing jointly in 2018. Bob works full time in New York City as a CPA where he makes $200,000 a year. Although Bob has a family of four, when he filled out his w-4 form, he was careful to claim 0. That being said, his company withheld a total of $30,000 throughout the year. After years of work, Jenny decided to stop working and now is a full-time housewife. They have two children both who are still in middle school under the age of 17. They live in Nassau County, Long Island where they pay high property taxes of $18,000 annually and have home mortgage interest on their recently purchased $1 million home which they paid a total of $13,000 for in 2018. Bob also paid state taxes of $15,000. Bob and Jenny donated $1,000 a month to their church so at the end of the tax year, the church sent Bob and Jenny a letter thanking them for their $12,000 donations while confirming the amount. Bob's job has good benefits and allows for his entire household to be covered by health insurance all year.

In this situation, we can identify a number of things that will be important when determining how much money this couple will get back or owe in taxes. The first thing we would examine is the filing status of the couple. We can see they mention that they are married filing joint, so we know that the standard deduction will be $24,000 based on the new law. Knowing that, we can then identify any itemized deductions and sum that up to see if it exceeds their standard deduction amount. We see here that they would have combined SALT of $33,000. Due to the new limitation, they would only be eligible to deduct $10,000 of this $33,000. Additionally, they have home mortgage interest on their $1 million home making the entire $13,000 deductible. Lastly for itemized deductions, they have $12,000 in charitable contributions. With all of these allowed itemized deductions, they would have a sum of $35,000 to deduct from their income. Due to the fact that this $35,000 exceeds the standard deduction of $24,000, this couple will not hesitate to itemize their deductions.

As we continue to read the above scenario, we can take notice of a few more things before calculating tax liability. We need to take note of the 2 dependent children as well as the fact that they were covered by health insurance all year. Since they have children under the age of 17 who depend on them, we can take a child tax-credit of $2,000 for each child. Also, knowing they have had health insurance all year, we are able to determine that they will not owe any tax penalty. Knowing all of this, we can now deduct the $35,000 from their income giving them taxable income for 2018 of $165,000. While applying this amount to the new tax rates, we can calculate that they will have tax liability of $28,179. Now, since they have 2 children, it is important to now take the credits off of the tax liability. After credits, the ultimate tax due on this return would be $24,179. Although we have calculated the amount that Bob and Jenny will have to pay, that is not the amount that they will owe come tax season. This is what they would owe if Bob’s company had not made any withholdings on his return. If one read earlier in the example, one would see that Bob had annual withholdings of $33,000. That being said, Bob had over paid throughout the year and so the government would actually owe Bob and Jenny a tax refund of $5,821. If Bob had claimed four on the w-4 form representing four members in his household, the withholdings would have been substantially less, which could have made him owe money at this time.

For this exact same situation but for 2017, Bob and Jenny would also itemize their deductions but have a total of $58,000 itemized deductions. Additionally, they would have personal exemptions for each member in the household totaling $16,200 giving them total deductions of $74,200. They would then be able to calculate their taxable liability on taxable income of $125,800 giving them tax due of $22,928. Additionally, they would have 2 child tax credits to take from that tax due making them liable for $20,928. After accounting for withholdings of $30,000, they would get a larger tax refund of $9,072. This would express a difference of $3,251 for this family.

While the tax reform has had clear changes to the amounts in the tax rate schedule, it is clear that that is not the only thing that effects a tax return. In this example, this family in a high taxed state is missing out on over $3,000 due to The Act. We can see the major cut to deductions and the drastic impact that it really had. While for many individuals it truly was a tax cut, it was the exact opposite for others. This situation could have certainly been more painful for this couple given Bob had less money withheld. In 2018, plenty of people would go on to see this difference since in 2017 they would have received a refund, while in 2018 they owed. This withholding was a major problem for individuals all around the country and is something to prepare for during next year.

- Scenario Two

Jenny is a single mom who is raising her 11-year-old son, Billy, on her own. She meets all the requirements to file as Head of the Household for the 2018 tax year. Jenny had recently opened a flower shop as an LLC where she had net qualified business income of $73,000 in 2018. Jenny rents an apartment in Orlando, Florida so she does not have any SALT. Considering she had her own business; she never made the time to get health insurance for neither her nor Billy. Also, in 2018, Jenny's wealthy mother has been in the hospital on and off. While Jenny is the only daughter she has, she is in line to inherit her mother's $6 million estate in Jupiter, Florida. Jenny had spoken to her accountant regarding her mother's health and advised her that Jenny's mother should gift her the estate in 2018 to avoid any tax penalty. Therefore, in 2018, Jenny received a $6 million estate gift from her mother.

Based on the scenario described, we can start by taking notice that Jenny will be filing as HOH. Once that is determined, we can see that she will have a standard deduction of $18,000. While Jenny lives in Florida and rents an apartment, we can assume since they have no state income tax, so she had nothing to deduct in regard to SALT. That being said, she will evidently take the standard deduction. Jenny will also have a deduction that is separate from the standard and itemized deduction. Since Jenny had qualified business income of $73,000, she will be able to take an additional deduction on 20% of that income when it is flowed through to her. That being said, Jenny with $73,000 total income in 2018, will have $55,000 taxable income after the standard deduction and $40,400 income after the 20% business income deduction. After computing the $40,400, she would have tax liability of $4,576. After taking into account her child tax credit of $2,000, she would ultimately have tax due of $2,576. For the purposes of this essay, we are not going to compute her self-employment tax which is a tax since she is of course self-employed. Lastly, since neither her nor her child had insurance all year, she would be subject to a tax penalty of $1,042.50. This amount includes a $695 penalty for herself and a $347.50 penalty for her child. After the penalty she would owe a total of $3,618.50 to Uncle Sam. Also, in this year, Jenny had received a gift from her Mother totaling $6 million. Since it falls within the exemption amount of $11.2 million, the entire gift would be tax free.

In 2017 with the same facts, she would have taken the standard deduction of $6,050 and had two personal exemptions of $8,100. This would have given her total deductions of $14,150. While deducting that from her $73,000, we would recognize taxable income of $58,850. Based on this income, she would have to pay tax before credits of $8,965. After taking the child tax credit for Billy, she would have $7,965 due. Lastly, the penalty was in effect last year and she would also have to add her penalty of $1,042.50 giving her a total tax due of $9,007.50. Over one year, Jenny would go on to save well over $5,000 in taxes. Also, if the $6 million gift was made in 2017, Jenny would have had to pay 40% on the excess cost over $5.49 million. That being said, she would have owed an additional $20,400 of tax for the acquisition of the estate from her mother. Although this disregards a couple of other factors, the difference from years and numbers are ultimately very real as to what changes The Act brought to real life individuals. Seeing changes like this, we can understand why it was called tax cuts.

- Scenario Three

Bob is a single guy living on his own in San Antonio, Texas. He has no dependents and owns a very successful landscaping business with his high school friend Eric. Bob's company files as a C corporation where he had gross income of $2,000,000. Within his business, he also had various qualified expenses totaling $310,000. In addition, the company had purchased new qualified equipment for the company and placed it in service on March 3rd, 2018. The total qualified equipment cost the company $700,000. In addition, Bob and Eric each took a salary of $200,000 from the company. Lastly, Bob had only started paying for his health insurance in February. That being said, he was only covered by his health insurance for 11 months.

This will also be another return with a number of complex factors that may have to be considered in the real world, but for the most part this is how it would go. With the scenario at hand, we can first determine that Bob will be filing as Single. We also notice that he is a 50% owner of a company with a substantial amount of income. While we can see his gross income is $2,000,000, we need to calculate the company's net income in order to determine how much Bob would get paid. After taking into account the $310,000 expenses, we can assume they're all deductible for this example. This would give the company $1,690,000. Additionally, there was a purchase of $700,000 for qualified equipment. This would allow the company to deduct this entire amount under the latest 2018 rules. Also, the company gave each Bob and Eric a salary of $200,000 which would allow for the company to deduct $200,000 in salary expense for the company. That being said, the company would have net income of $590,000. This amount would then be taxed at the flat corporate rate of 21% giving the company tax total due of $123,000. Now, it is Bob's individual turn to pay his tax. After the tax, Bob would be required to pay tax on his 50% of the $400,000 issued to the partners. However, since Bob took a salary and not a distribution, he was able to avoid the double tax since he was able to deduct his salary from the company. Now that that salary is just regular wages, he has to pay ordinary tax on. Now we can calculate his tax due as a single filer taking the standard deduction. That being said, he would have taxable income on $188,00 giving his tax due of $41,850.

In 2017, given the same facts, we also need to calculate the company's gross income. We can start by noticing the company can deduct the entire $310,000 from the $2,000,000 equating to $1,690,000. After we discover this number, we can look to deduct the expensing of the $700,000 equipment. The company would be able to deduct the first $500,000 of equipment as 179 property, and then deduct 50% of the remaining $200,000 immediately. This will ultimately allow for an immediate expensing of the equipment of $600,000 as oppose to $700,000 in 2018. Lastly, they would be able to deduct its salaries totaling $400,000 giving them net income of $690,000. On this $690,000, they would be responsible to pay tax of $309,774. This would be a drastic increase from what they will go on to pay in 2018 of $186,774. The Act would save their company tax by almost 100%.

Once we discover the corporate tax, we can calculate Bob's 2017 tax due. This $200,00 would come in as a salary while taking the standard deduction of $6,350 and a personal exemption of $$4,050, giving him total deductions of $10,400. After deductions, he would have 2017 taxable income of $189,600. After discovering the taxable income, we can compute the tax due will equate to $46,070. He would go on to save $4,220 on his personal return from 2017 to 2018. Between the amount of saving $186,774 and $4,220, Bob will go on to potentially save over $190,000 over one year from the change given the facts stayed the same.

After closely evaluating these scenarios, we can see the effect it may be having on a number of different of types of people. While some may be benefitting, others may be losing. It all is really relative to each individual and his or her situation. While these scenarios allow for the law to come to life a bit, I went on to actually interview two practicing CPA's, Paul Bellini and Tom Lally, who each own their own CPA firms in Suffolk County, New York. They both had just recently finished up their first tax season, with The Act in full effect. The following 5 questions will cover a very brief response from each of their perspective which can allow for us to see how these changes are really playing out in practice. The first question was asked prior We can also relate what was discussed throughout this paper to most of what they have to say.

1. **What was some of the main advice you gave your clients in order to help them prepare and adjust for the new tax changes?**

   Paul: Well, noticing the standard deduction has doubled, I advised some clients to consider accelerating or accumulating some deductions; especially their charitable contributions. In doing this, they would then be able to analyze if these deductions will exceed the standard deductions for at least one of the years. Another piece of advice I would give would be to consider the new corporate tax rate vs self-employment income. They should analyze if it might be a good option to switch up the way they file as a company.

   Tom: One of the big changes I took notice of was the housing capital gain exclusion on residential property. In order to exclude the capital gain on your primary residence, you must own the property for 8 years and live in it for 5 years. The old law said you had to own the property for 5 years and live in it for 3 years in order to qualify for capital gain exclusion (500,000 married, 250,000 single). If a client that was thinking of selling and they have been there for 5 or 6 years, I would suggest them to stay at least 2 or 3 years in order to qualify them for the exclusion. Also, I would tell clients that if they had plans to purchase qualified property, they should consider buying it as soon as possible in order to expense the entire qualified property immediately.

2. Have you noticed any change to taxpayer behavior due to the new law?

Paul: I have noticed that people are beginning to consider retirement plans more now, in order compensate for the loss of many deductions. Also, some people are buying business equipment in order to maximize the bonus depreciation. I also noticed some companies discuss the consideration of drafting reimbursement policies in order to allow for employees to report their income net of their reimbursement expenses. This would help many employees with the loss of the inability to deduct employees' expenses.

Tom: I noticed a number of clients are actually questioning the change to a C corporation. It seems the 21% is enticing to a lot of people but then we would discuss the details. Some individuals did, in fact, change. People are also going on to group their deductions in order to get the most out of their deductions due to the SALT limitations on these high taxpaying individuals. Some people joke about moving due to this and I would not be surprised if they did; considering the money they could save living outside of Long Island and New York.

3. Did you notice a certain class of individuals benefitting more than others?

Paul: Some high tax paying individuals benefitted because while a few of them in the past had taken the AMT, they did not this year, allowing them to take all their fair share deductions. Of course, however, a lot of these high taxpayers were home owners and did get hit hard from the SALT deduction limitation. But those who formerly took the AMT definitely made out well. Also, high taxpayers benefitted from the additional 20% section 199A deductions (business income deduction.). I saw this from a number of clients and how their current year tax was noticeably lower than prior years.

Tom: I actually noticed a lot of the lower paying individuals make out well. It seemed this was true because these were the people who usually would take the standard deduction, and now that it is doubled, they were able to immediately knock that money off. This is opposed to the people who itemized who mostly did not make out too well from the changes. Also, this lower income usually provided for a more basic return, so the lower rates would also help them out a bit. I also noticed people with children would make out pretty well while the child tax credit was doubled really lowering their tax due and even giving them a little extra refund in some cases.

4. **After the first tax season, did you notice people surprised by their refund or tax owed? If so, what did you notice caused for the major change?**

Paul: Yes, the main reason would have come from the dropping of the withholdings tax rate. This caused the refund to be less than prior years and, in some cases, caused for tax owed. Also, considering most of my clients are from Long Island, many home owners were limited to the $10,000 SALT deduction which caused for minimal deductions, leading to more taxable income. Additionally, many people without health insurance thought that the health insurance penalty was fully repealed, however, it was not. These people were assuming the repeal took place for 2018 making those who thought this and didn't bother to get health insurance very surprised.

Tom: Yes, many of them were very surprised. Most of the employees were taking a hit due to the fact they could not deduct their employee business expenses from their return. They saw a major hit in this regard from their refund and in some cases owed money when they normally got a refund. We saw most people who usually did itemize, take the standard deduction as well which was a surprise to them too.

5. **Do you think The Act and the overall reform was ultimately for the better or the worse?**

Paul: Honestly, it is very relative. However, from an overall stance, I didn't see major changes. Neither did I see taxes being dropped as preached. Everything really balanced out between the elimination of deductions, credits, certain employee business expenses, etc. Outside of a psychological change, at the end of the day there really were no drastic changes to the everyday individual for the most part.

Tom: I would say I am pretty neutral in the matter. It is a fairly broad question, but I really don't think it was neither good nor bad. Individuals may have seen major changes from prior years; however, they may not have noticed that they were actually getting their refund back throughout the year from the slight increase in their weekly pay check without them even really noticing. I think from an economical perspective, it may take some more time to see its real benefit.

After interviewing both of the CPAs, I was able to conclude that most of their responses were relative to a lot of the anticipated results from the changes that were discussed throughout this paper. We saw both of them make a clear point about the lowered amount withheld by companies which caused for much disappointment from a lot of clients. In the end, most of what they said would almost perfectly tie in to most of the situations discussed.

In conclusion, we are really able to see The Act leading to significant changes that would have noticeable effects on the economy and taxpayer's behavior. Throughout this paper, we were able to touch on a number of those effects that were the more commonly seen in practice while giving a number of brief situations where they would play out. These effects would go on to include the new tax rates, increased standard deduction, change in itemized deductions, child and elder care credits, doubled estate tax exemption, adjusted alternative minimum tax, repeals the Affordable Care Act (ACA), corporate income tax rate decreased, reforming of the business pass-through deduction and the section 179 and bonus depreciation for businesses. All of these changes would go on to be broken down, thoroughly identified, and made easy to understand. They all were also made in order to accomplish something giving congress a deliberate intention to fulfill a goal which was also made clear. Also, we were able to see who were the groups of individuals that would be most fit for the change and who it would harm the most. Lastly, we were able to see a thorough scenario of each change and how it would go on to play out if it were to be played out in real life. In the end, this change is certainly something to understand, because no matter who you are, I am sure your life will be impacted in one way or another by a number of these changes.

Works Cited

Amadeo, Kimberly. "What Is the Alternative Minimum Tax? Who Has to Pay?" *The Balance*, The Balance, 30 Oct. 2018, www.thebalance.com/alternative-minimum-tax-amt-who-has-to-pay-3305784.

"An Introduction to 529 Plans." *SEC Emblem*, 29 May 2018, www.sec.gov/reportspubs/investor-publications/investorpubsintro529htm.html.

Barrabi, Thomas. "Tax Reform Windfall: These Companies Are Hiking Pay, Delivering Bonuses." *Fox Business*, Fox Business, 27 Mar. 2018, www.foxbusiness.com/markets/tax-reform-windfall-these-companies-are-hiking-pay-delivering-bonuses.

Basu, Chirantan. "How Do Tax Cuts Affect the GDP?" *Bizfluent*, 2 Oct. 2017, bizfluent.com/info-8769498-do-tax-cuts-affect-gdp.html.

Bazar, Emily. "The Obamacare Tax Penalty Isn't Dead Yet." *CNNMoney*, Cable News Network, 3 Mar. 2018, money.cnn.com/2018/03/03/news/economy/obamacare-tax-penalty/index.html.

Bell, Kay. "How And Why To Adjust Your Tax Withholding." *Bankrate*, Bankrate, 8 Nov. 2018, www.bankrate.com/finance/taxes/adjust-withholding.aspx.

Berry-Johnson, Janet. "Tax Breaks For Caring For An Elderly Family Member." *Forbes*, Forbes Magazine, 29 Apr. 2016, www.forbes.com/sites/janetberryjohnson/2016/04/29/tax-breaks-for-caring-for-an-elderly-family-member/#291f22f75663.

Bird, Beverly. "How the New Tax Bill Affects Itemized Deductions in 2018." *The Balance*, The Balance, 6 Nov. 2018, www.thebalance.com/new-tax-bill-itemized-deductions-4160594.

Bischoff, Bill. “Taxpayers, You Are Still on the Hook for the ACA Individual Mandate.” *MarketWatch*, MarketWatch, 6 Aug. 2018, www.marketwatch.com/story/taxpayers-you-are-still-on-the-hook-for-the-aca-individual-mandate-2018-08-06.

Cauble, Emily. “Itemized Deductions in a High Standard Deduction World.” *Stanford Law Review*, Stanford University, 23 Feb. 2018, www.stanfordlawreview.org/online/itemized-deductions-high-standard-deduction-world/.

“Child Tax Credit and Credit for Other Dependents at a Glance.” *Internal Revenue Service*, www.irs.gov/credits-deductions/child-tax-credit-and-credit-for-other-dependents-at-a-glance.

“Complete Analysis of the Tax Cuts and Jobs Act.” *Thomson Reuters Checkpoint*, Thomson Reuters/Tax & Accounting, 2018, 0-checkpoint-riag-com.liucat.lib.liu.edu/app/view/previewDoc?usid=e577dj3ad16&DocID=i32a5d1cdce90efadb9f6932b73c79e3f&docTid=T0NLANA%3A11528.2-1&feature=tcheckpoint&lastCpReqId=ae41a3&preview=y.

Defler, Kerry. “3 Reasons Why the New Tax Depreciation Rules Are Great for Your Business.” *Bizjournals*, The Business Journals, 29 Mar. 2018, www.bizjournals.com/atlanta/news/2018/03/29/new-benefits-in-tax-reform-can-free-up-spending.html.

“Doubling Estate Tax Exemption Would Give Windfall to Heirs of Wealthiest Estates.” *Center on Budget and Policy Priorities*, 9 Nov. 2017, www.cbpp.org/blog/doubling-estate-tax-exemption-would-give-windfall-to-heirs-of-wealthiest-estates.

Ebeling, Ashlea. “IRS Hands The Rich Certainty On Trump Estate Tax Sweetener: No Clawback On Huge Gifts.” *Forbes*, Forbes Magazine, 21 Nov. 2018, www.forbes.com/sites/ashleaebeling/2018/11/21/irs-hands-the-rich-certainty-on-trump-estate-tax-sweetener-no-clawback-on-huge-gifts/#794f9b4834b2.

Eiber, Christine, and Sarah Nowak. "The Effect of Eliminating the Individual Mandate Penalty and the Role of Behavioral Factors." *Commonwealth Fund*, The Common Wealth Fund, 11 July 2018, www.commonwealthfund.org/publications/fund-reports/2018/jul/eliminating-individual-mandate-penalty-behavioral-factors.

"Federal Tax Brackets." *Tax Brackets (Federal Income Tax Rates) 2000 through 2018 and 2019*, www.moneychimp.com/features/tax_brackets.htm.

Greenberg, Scott, and Nicole Kaeding. "Reforming the Pass-Through Deduction | Section 199A." *Tax Foundation*, Tax Foundation, 30 July 2018, taxfoundation.org/reforming-pass-through-deduction-199a/.

Hickey, Walt. "How The GOP Tax Plan Actually Affects Your Wallet." *FiveThirtyEight*, FiveThirtyEight, 21 Nov. 2017, fivethirtyeight.com/features/how-the-gop-tax-plan-actually-affects-your-wallet/.

Hodge, Scott A. "The Jobs and Wage Effects of a Corporate Rate Cut." *Tax Foundation*, Tax Foundation, 1 Nov. 2017, taxfoundation.org/jobs-wage-effects-corporate-rate-cut/.

Josephson, Amelia. "All About Child Tax Credits." *SmartAsset*, SmartAsset, 16 Nov. 2018, smartasset.com/taxes/all-about-child-tax-credits.

Murray, Jean. "Learn About Corporate Tax Rates and How to Calculate What You Owe." *The Balance Small Business*, Dotdash, 11 Dec. 2018, www.thebalancesmb.com/corporate-tax-rates-and-tax-calculation-397647.

"New Rules and Limitations for Depreciation and Expensing under the Tax Cuts and Jobs Act." *Internal Revenue Service*, Internal Revenue Service, 5 Nov. 2018, www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act.

Orem, Tina. "2018 Federal Income Tax Brackets and New Tax Rates." *NerdWallet*, NerdWallet, 2 Nov. 2018, www.nerdwallet.com/blog/taxes/federal-income-tax-brackets/.

Perez, William. "How to Use the Standard Tax Deduction." *The Balance Small Business*, The Balance, 7 Aug. 2018, www.thebalance.com/standard-deduction-3193021.

Sahadi, Jeanne. "New Estate Tax Law Gives an Enormous Gift to Rich Families." *CNNMoney*, Cable News Network, 9 Jan. 2018, money.cnn.com/2018/01/09/pf/taxes/estate-tax/index.html.

Steffen, Tim. "Alternative Minimum Tax a Casualty of Tax Reform Nobody Will Miss." *InvestmentNews - The Investing News Source for Financial Advisers*, InvestmentNews, 24 Aug. 2018, www.investmentnews.com/article/20180824/BLOG09/180829946/alternative-minimum-tax-a-casualty-of-tax-reform-nobody-will-miss.

Sullivan, Martin A. "Economic Analysis: The Market for Passthrough Deduction Tax Advice, Part 2." *Tax Analysts*, Tax Analyst, 17 July 2018, www.taxnotes.com/tax-reform/economic-analysis-market-passthrough-deduction-tax-advice-part-2.

"United States (USA) GDP - Gross Domestic Product 2018." *Countryeconomy.com*, Follow Us, 12 Mar. 2019, countryeconomy.com/GDP/USA.

Warnes, Bryce. "How the 2018 Trump Tax Plan Affects Your Small Business | Bench Accounting." *Bench*, Bench, 17 May 2018, bench.co/blog/tax-tips/trump-tax-plan-small-business/.

York, Erica. “The Benefits of Cutting the Corporate Income Tax Rate.” *Tax Foundation,* Tax Foundation, 5 Nov. 2018, taxfoundation.org/benefits-cutting-corporate-income-tax-rate/.