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Information on the basics of the new tax law In effect for 2018

Federal Report, 2018 Edition

MARRIED COUPLE FILING JOINT RETURN (MFJ)

If taxable income is:

Over:	But not over:	Your tax is:	Of the amount over:	LTCG & Qual. dividend rates
$0	$19,050	$0.00+10%	$0	0%
$19,050	$77,400	$1,905.00+12%	$19,050	0%*
$77,400	$165,000	$8,907.00+22%	$77,400	15%
$165,000	$315,000	$28,179.00+24%	$165,000	15%
$315,000	$400,000	$64,179.00+32%	$315,000	15%
$400,950	$600,000	$91,379.00+35%	$400,000	20%*
$600,000	...	$161,379.00+37%	$600,000	20%

MARRIED FILING SEPARATE (MFS)

If taxable income is:

Over:	But not over:	Your tax is:	Of the amount over:	LTCG & Qual. dividend rates
$0	$9,525	$0.00+10%	$0	0%
$9,525	$38,700	$952.50+12%	$9,525	0%*
$38,700	$82,500	$4,453.50+22%	$38,700	15%
$82,500	$157,500	$14,089.50+24%	$82,500	15%
$157,500	$200,000	$32,089.50+32%	$157,500	15%
$200,000	$300,000	$45,689.50+35%	$200,000	20%*
$300,000	...	$80,689.50+37%	$300,000	20%

INDIVIDUAL RETURN

If taxable income is:

Over:	But not over:	Your tax is:	Of the amount over:	LTCG & Qual. dividend rates
$0	$9,525	$0.00+10%	$0	0%
$9,525	$38,700	$952.50+12%	$9,525	0%*
$38,700	$82,500	$4,453.55+22%	$38,700	15%
$82,500	$157,500	$14,089.50+24%	$82,500	15%
$157,500	$200,000	$32,089.50+32%	$157,500	15%
$200,000	$500,000	$45,689.50+35%	$200,000	20%*
$500,000	...	$150,689.50+37%	$500,000	20%

HEAD OF HOUSEHOLD (HH)

If taxable income is:

Over:	But not over:	Your tax is:	Of the amount over:	LTCG & Qual. dividend rates
$0	$13,600	$0.00+10%	$0	0%
$13,600	$51,800	$1,360.00+12%	$13,600	0%*
$51,800	$82,500	$5,944.00+22%	$51,800	15%
$82,500	$157,500	$12,698.00+24%	$82,500	15%
$157,500	$200,000	$30,698.00+32%	$157,500	15%
$200,000	$500,000	$44,298.00+35%	$200,000	20%*
$500,000	...	$149,298.00+37%	$500,000	20%

3.8% Medicare Surtax on Investment Income

Net investment income may be subject to an additional 3.8% Medicare tax. Tax exempt entities such as charities, traditional IRAs and Roth IRAs will not be subject to the surtax. Net Investment Income includes interest, dividends, capital gains, annuities, royalties and rents, and passive income. It does not include tax-exempt municipal bond interest income or retirement-type income. The threshold is based on modified adjusted gross income (MAGI), not taxable income. The threshold is $200,000 for Single filers, $250,000 for Married Filing Jointly filers, $12,500 for trusts and estates. The 3.8% surcharge is the lesser of the MAGI in excess of the threshold or the amount of net investment income. For example:

	The Smith Family	The Jones Family
Wages	$200,000	$260,000
Investment Income	$51,000	$1,000
Total MAGI	$251,000	$261,000
Lesser of: excess or	$1,000	$1,000
Investment Income Surtax amount @ 3.8%	$38	$38

Health Care Mandate

The tax for being uninsured is typically the higher of two amounts, the basic penalty or an income-based levy. For 2018, the basic penalty is $695 a person ($347.50 for family members under age 18), with a ceiling of $2,085. The income-based levy is 2.5% of household income over the filing threshold, the income- based levy cannot exceed the cost of a "bronze level" exchange plan. Note the "Tax Cuts and Jobs Act" (H.R. 1) repealed Health Care Mandate after 2018.

The Alternative Minimum Tax

The alternative minimum tax is a separately figured tax that eliminates many deductions and credits used in computing the regular tax, thus increasing AMT taxable income. The AMT has its own exemption amount and tax rates. A taxpayer will pay the AMT in any tax year that the AMT calculation results in a higher tax than that computed under the regular tax. The 2018 AMT exemptions are $109,400 for married taxpayers filing joint, $70,300 for single filers, and $54,700 for married taxpayers filing separate.

Same-Sex Married Couples Filing Status

In 2015, a landmark Supreme Court Case, Obergefell v. Hodges, same- sex married couples are treated as married for federal tax purposes. Previously, same-sex married couples were only treated as married provided the marriage was recognized in jurisdictions that authorize same-sex marriages. The regulations issued by the IRS strengthen and clarify that same-sex couples can now marry in all States and that all States will recognize these marriages.

Reporting and Taxation of Long-Term Capital Gains and Qualified Dividend Income

The cost basis reporting regulations require reporting to the IRS the adjusted cost basis for securities sold and to classify any gain or loss on the sale as long-term or short-term on form 1099-B. The IRS regulations use the term "covered security" to describe a security for which basis reporting is required on form 1099-B. Covered securities include:

- Stocks purchased after 2010,
- Mutual fund and dividend reinvestment plan shares acquired after 2011,
- Less complex fixed income and options, such as puts and calls
- acquired after 2013.
- More complex fixed income acquired after 2015

Under current law, the maximum tax rate for long-term capital gains and qualified dividends is 20% with certain exceptions for collectibles, unrecaptured section 1250 (depreciation recapture) and section 1202 (gain). The holding period for long-term capital gains and losses is more than one year. The holding period begins on the day after you purchase the property and includes the day you dispose of it.

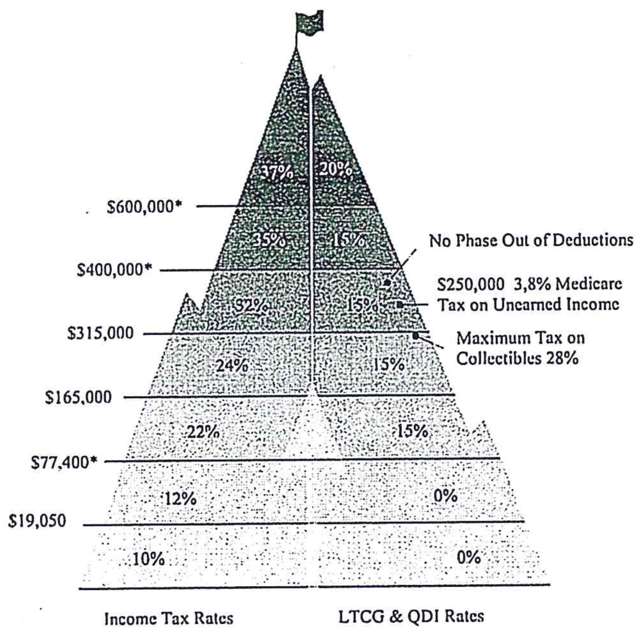
Generally, dividends paid by domestic corporations and certain foreign corporations are qualified. For a dividend to be qualified, the security owners must have held the security for a certain period of time, among other requirements.

Mutual funds, which buy and sell gold for their shareholders, exchange traded funds (such as GLD and IAU) and direct purchase of gold bullion, are considered collectibles subject to the maximum collectible capital gains tax rate of 28%.

WASH SALE

In general, you have a wash sale if you sell stock at a loss, and buy substantially identical securities within 30 days before or after the sale. The loss is disallowed and added back to the basis of the newly acquired security. The cost basis reporting regulations require reporting to the IRS any wash sale occurring in an account on form 1099-B.

The Tax Mountain for MFJ



*0% $77,200, 15% $77,200-$479,000-20% over $479,000

*The Medicare surtax of 3.8% is based on AGI while capital gains and income tax brackets are based upon taxable income. Additional .9% Medicare withholding is based on wages.

Taxation of Children (Kiddie Tax)

Special rules apply to the taxation of unearned income (such as interest and dividends) of a child not filing a joint return regardless of whether the child can be claimed as a dependent on a parent's tax return. Generally, the kiddie tax applies to a child if: (1) the child has not reached the age of 19 by the close of the taxable year, or the child is a full-time student under the age of 24, and either of the child's parents is alive at such time.

Tax Cuts and Jobs Act (P.L. 115-97) has made changes to the kiddie tax rules. The provision simplifies the "kiddie tax" by effectively applying ordinary and capital gains rates applicable to trusts and estates to the net unearned income of a child. Thus, as under present law, taxable income attributable to earned income is taxed according to unmarried taxpayers' brackets and rates. Taxable income attributable to net unearned income is taxed according to the brackets applicable to trusts and estates, with respect to both ordinary income and income taxed at preferential rates. Thus, under the provision, the child's tax is unaffected by the tax situation of the child's parent or the unearned income of any siblings.

Income Taxation of Social Security Benefits

Up to 85 % of Social Security benefits can be taxable. Social Security benefits (including survivor and disability benefits) are subject to tax if a taxpayer's Provisional Income (modified adjusted gross income plus tax-exempt interest income received or accrued, plus one-half of annual Social Security benefits) exceeds $25,000 ($32,000 for married taxpayers filing joint returns). For more detailed information and computation worksheets, see IRS Pub. 915, Social *Security and Equivalent Railroad Retirement Benefits*.

Loss of Social Security Benefits Due to Continued Work

Retirees who have not attained full retirement age (66 for those born in 1943–1954) in 2018 may have earnings of $17,040 without loss of benefits. "Earnings" is defined as wages, bonuses, commissions, fees from all types of work and net earnings from self-employment. For those retirees, $1 in Social Security benefits is withheld for each $2 of earnings in excess of $17,040 during 2018. If you reach full retirement age during 2018, $1 is deducted from your benefits for each $3 you earn above $45,360 until the month you reach full retirement age. There is no limit on the earnings of retirees who have attained full retirement age.

Retirement Plan Contribution Limits for 2018

Contribution Limits	SIMPLE	401(k), 403(b), 457 Plans	Coverdell Education Savings Account	Simplified Employee Pension (SEP), Profit Sharing or Money Purchase Plan
Basic Limits	$12,500	$18,500	$2,000	Lesser of 25% **of compensation or $55,000
Catch-up Limit (age 50 or older)	$3,000	$6,000	N/A	0

*A higher contribution limit may apply to 457 plan participants in the last three years before retirement.
**For self-employed, the limit is 20% of net earnings after an adjustment for self-employment tax, up to a maximum contribution of $55,000

IRA DEDUCTIBILITY LIMITS FOR 2018

Filing Status	Covered by a Retirement Plan?	Modified AGI	IRA Contribution $5,500	Age 50 $1,000 Catch-up
Single	Not Covered	No Limit	Full Deduction	Full Deduction
	Covered	$63,000 or Less	Full Deduction	Full Deduction
		$63,001 –$72,999	Partial Deduction	Partial Deduction
		$73,000 or Above	No Deduction	No Deduction
Married Filing Jointly	Both Not Covered	No Limit	Full Deduction	Full Deduction
	Limits for Spouse Covered by Plan	$101,000 or Less	Full Deduction	Full Deduction
		$101,001 –$120,999	Partial Deduction	Partial Deduction
		$121,000 or Above	No Deduction	No Deduction
	Limits for Spouse Not Covered by Plan	$189,000 or Less	Full Deduction	Full Deduction
		$189,001 –$198,999	Partial Deduction	Partial Deduction
		$199,000 or Above	No Deduction	No Deduction
Married Filing Separately*	Either spouse	Less Than $10,000	Partial Deduction	Partial Deduction
		$10,000 or More	No Deduction	No Deduction

*If the spouses did not live together at any time during the year, their filing status is considered Single for purposes of IRA deductions.

ROTH CONTRIBUTION LIMITS FOR 2018

Filing Status	Modified AGI	Roth Contribution $5,500	Age 50 $1,000 Catch-up Contribution
Single	Less than $120,000	$5,500	$1,000
	$120,000 –$134,999	Proportionate Reduction of $5,500	Proportionate Reduction of $6,500
	$135,000 or more	Cannot contribute	Cannot contribute
Married Filing Jointly	Less than $189,000	$5,500	$1,000
	$189,000 –$198,999	Proportionate Reduction of $5,500	Proportionate Reduction of $6,500
	$199,000 or more	Cannot contribute	Cannot contribute
Married Filing Separately*	Less than $10,000	Proportionate Reduction of $5,500	$1,000
	$10,000 or More	Cannot contribute	Cannot contribute

*If the spouses did not live together at any time during the year, their filing status is considered Single for purposes of IRA deductions.

Exemption and Deductions

		Standard Deduction	Additional Standard Deduction	
Filing Status	Personal Exemption*	Deduction	*65 or Older*	Blind*
Married Filing Jointly	$0	$24,000	$1,300	$1,300
Single	$0	$12,000	$1,600	$1,600
Head of Household	$0	$18,000	$1,600	$1,600
Married Filing Separately	$0	$12,000	$1,300	$1,300

The "Tax Cuts and Jobs Act" (H.R. 1) repealed personal exemptions and increased the standard deductions for married and single. Individual taxpayers will be required to file a tax return if their gross income for the taxable year is more than the standard deduction. For married taxpayers, they will be required to file a tax return if their gross income, when combined with your spouse's gross income, is more than the standard deduction for a joint return, provided that the taxpayer and their spouse lived in the same home; their spouse does not file a separate tax return; and neither the taxpayer nor their spouse is a dependent of another taxpayer who has income other than earned income in excess of $500 (indexed for inflation).

*LTCG-Single: 0%-$38,600, 15%-$38,600-%425,800, 20% over $425,800. Married Filing Jointly: 0%-$77,200, 15%-$77,200-$479,000, 20% over $479,000. Married Filing Separately: 0%-38,600, 15%-$38,600-$-$239,500, 20% over $239,500. Head of Household: 0%-$51,700, 15%-$51,700-$452,400, 20% over $452,400

Effect of Early Retirement on Social Security Benefits

	Percentage of Worker's Benefit Available at Full Retirement Age	
Age When Benefits Begin	Worker	Spouse
62	75.0%	35.0%
63	80.0%	37.5%
64	86.7%	41.7%
65	93.3%	45.8%
Full Retirement Age	100.0%	50.0%

Full retirement age for Social Security purposes is age 66, but reduced benefits can begin as early as age 62, as shown in the table to the left.

For early retirement purposes, a spouse is entitled to the higher of the amount shown in this table or the benefit computed on the basis of the spouse's own work record. In addition, a worker retiring after full retirement age is entitled to an additional benefit for each year worked between full retirement age and age 70. The retirement age when unreduced benefits are available is age 66 for workers born in 1943–1954. It is increased by two months a year for workers born in 1955–1959 and reaches age 67 for workers born after 1959.

Social Security and Medicare Taxes

	Employer	Employee	Self-Employed
Wage Base	Rate	Rate	Rate
$128,400 OASDI	6.20%	6.20%	12.40%
Unlimited Medicare	1.45%	1.45%	2.90%
Medicare Surtax*	0.00%	0.90%	0.90%

*Your employer is required to begin withholding "Additional Medicare Tax" in the pay period in which your wages are in excess of $200,000 and continue to withhold for each pay period until the end of the calendar year without regard to the individual's filing status or wages paid by another employer. The additional Medicare Tax is only imposed on the employee. The threshold for the surtax is $250,000 for MFJ and $200,000 for single filers.

Estate and Gift Taxes

The federal government levies a gift tax on the value of transfers taking place during life and an estate tax on the value of transfers at death. The tax rate on both types of transfers is the same. An individual can give away $15,000 annually to any number of people (including non-family members) without incurring a gift tax. An individual can give away $11,200,000 over and above the $15,000 annual gift tax exclusion during the individual's lifetime without incurring a gift tax, though the individual will have to file a gift tax return.

The estate of a decedent who is survived by a spouse can make a portability election to permit the surviving spouse to apply the decedent's unused estate exclusion amount.

In addition to any potential federal tax, some states impose their own gift, estate and/or inheritance tax. These state tax provisions should not be overlooked when an individual is planning his or her estate.

BASIS OF GIFTED ASSETS

A donee's basis for property acquired by gift is the same as the adjusted basis in the hands of the donor. If the donor was required to pay gift tax, the recipient's basis is increased by the amount of gift tax paid that is attributable to that gift. If the fair market value (FMV) at the date of the gift is lower than the adjusted basis, then the basis for determining loss is its fair market value on that date. It is possible that neither gain nor loss will be realized if the donee sells the property.

For example: Stock with a $10,000 basis is gifted when the FMV on the date of gift is $9,000. The stock is later sold for $9,500. There is neither a gain nor loss, since the basis for determining gain is $10,000 and the basis for determining loss is $9,000.

If the fair market value of stock or other property that you plan to gift is less than your cost basis at the time of the gift, your best strategy might be to simply sell the stock and recognize a loss, which you can use to offset other gains and then make the gift in cash.

GIFT AND ESTATE TAX EXCLUSION AMOUNTS

Year	Exclusion Equivalent	Credit	Top Rate
2016	$5,450,000	$2,125,800	40%
2017	$5,490,000	$2,141,800	40%
2018	$11,200,000	$4,371,600	40%

BASIS OF INHERITED ASSETS

Generally, when you inherit property or investments, your cost basis is equal to the fair market value (FMV) of the property at the time of the decedent's death.

The alternate valuation date can only be used if it lowers the estate tax. The election is made by the estate. Your cost basis will be equal to the fair market value of the property on the earlier of:

- 6 months after the date of death or
- The date that the property was distributed to you.

2018 ESTATE AND TRUST INCOME TAX RATES

TRUST AND ESTATE UNDISTRIBUTED INCOMETAX RATES

Over:	But not over:	Your tax is:	Of the amount over:	Long-Term Capital Gains/Qualified Dividends tax rates
$0	$2,550	$0.00+10%	$0	0%
$2,550	$9,150	$255.00+24%	$2,550	15%
$9,150	$12,500	$1,839.00+35%	$9,150	15%
$12,500		$3,011.50 + 37%	$12,500	20%