



# Tax Reform: New for 2018

The Tax Cuts and Jobs Act was enacted on December 22, 2017 and took effect on January 1, 2018. The new law will have sweeping consequences for the business community, including the life science community and its employees.



**BUSINESS**



**INDIVIDUAL**



## BUSINESS TAXES



### TAX RATES

- Permanent 21% corporate tax rate
- 20% deduction for income of certain types of pass-throughs (expires after 2025)
- Corporate Alternative Minimum Tax (AMT) repealed



### EXPENSING

- Immediate 100% expensing of capital investments before January 1, 2023 (phase-out through 2026).
- Business interest deduction limited to 30% of adjusted taxable income. Interest amounts greater than 30% could be carried forward into future tax years. Businesses with average gross receipts of \$25 million or less can continue to deduct all of their net interest expenses
- Net Operating Loss (NOL) deduction carryover limited to 80% of eligible income (carry-back repealed but indefinite carry-forward)
- Ends exclusion for advance refunding bonds but retains tax exemption for interest paid on private activity bonds



### RESEARCH EXPENSES

- Research and development tax credit retained (beginning in 2022, certain expenses would be amortized over five years if conducted in the U.S. and 15 years if conducted abroad)
- Orphan drug tax credit retained but reduced from 50% to 25% of eligible expenses



### FOREIGN INCOME

- Establishes a territorial tax system which ends the tax on U.S. corporations' worldwide income (adds new taxes on global intangible low-taxed income, foreign-derived intangible income, and deductible payments to related parties)
- 15.5% repatriation rate for cash profits held offshore; 8% for non-cash



### OTHERS

- 1.4% excise tax on the net investment income of endowments of private colleges and universities with a value of at least \$500,000 per student
- Local lobbying expense deduction eliminated
- Most entertainment, employee fringe, and transport benefits deductions eliminated



# INDIVIDUAL TAXES \*

## 7 TAX BRACKETS



Rate	Joint returns	Head of household	Individuals
10 percent	\$0-\$19,050	\$0-\$13,600	\$0-\$9,525
12 percent	\$19,051-\$77,400	\$13,601-\$51,800	\$9,526-\$38,700
22 percent	\$77,401-\$165,000	\$51,801-\$82,500	\$38,701-\$82,500
24 percent	\$165,001-\$315,000	\$82,501-\$157,500	\$82,501-\$157,500
32 percent	\$315,001-\$400,000	\$157,501-\$200,000	\$157,501-\$200,000
35 percent	\$400,001-\$600,000	\$200,001-\$500,000	\$200,001-\$500,000
37 percent	>\$600,000	>\$500,000	>\$500,000



### TAX RATES & EXEMPTIONS

- Personal exemption eliminated\*
- Standard deduction increased to \$12,000 for individuals; \$24,000 for joint filers\*
- Carried interest advantages limited
- Alternative Minimum Tax (AMT) retained for individuals but exemption amounts and phase-out thresholds increased\*



### STATE & LOCAL TAXES

- State and Local Tax (SALT) deductions for income and property retained but limited to \$10,000.\*



### HOME

- Mortgage interest deduction retains current cap for existing mortgages; limited to \$750,000 for future home purchases\*
- Estate tax exemption doubled\*
- Electric vehicle tax credit retained
- Personal casualty loss deduction allowed only for presidentially declared major disasters\*



### FAMILY

- Adoption tax credit retained
- Alimony deduction permanently eliminated for divorces after 2018
- Child tax credit increased to \$2,000 per child (\$1,400 refundable), \$500 for nonchild dependents. Eligibility expanded by increasing income limit\*
- Student loan interest deduction retained



### HEALTHCARE

- Individual health insurance mandate penalties repealed starting in 2019
- Medical expense deduction retained and expanded for 2018 and 2019



### WORK

- Employees can defer the gain from exercising their stock options or vesting their restricted stock units for the earliest of five years after their ownership vested or the company becomes readily tradable
- Moving expense deduction and employer-provided moving assistance exclusion eliminated, except for the armed forces\*