

# How Will Tax Reform Impact Seniors and Persons with Disabilities?

The Tax Cut and Jobs Act (TCJA) is now officially law. Both the House and Senate passed the new tax reform bill in December with straight party-line votes and no support from Democrats. President Trump signed it into law right before Christmas. It is the first overhaul of the tax code in more than 30 years.

## Key Individual Provisions to Know

Here are main provisions in the tax law that could particularly affect retirees and persons with disabilities. These individual provisions are set to expire at the end of 2025, so Congress will need to act before then if they are to continue.

### (Mostly) Lower Individual Income Tax Rates and Brackets

There are still seven individual tax brackets and rates, but most are lower. Current rates are 10%, 15%, 25%, 28%, 33%, 35% and 39.6%. Here are the new rates and how much income will apply to each:

Rate	Individuals	Married, filing jointly
10%	Up to \$9,525	Up to \$19,050
12%	\$9,526 to \$38,700	\$19,051 to \$77,400
22%	\$38,701 to \$82,500	\$77,401 to \$165,000
24%	\$82,501 to \$157,500	\$165,001 to \$315,000
32%	\$157,501 to \$200,000	\$315,001 to \$400,000
35%	\$200,001 to \$500,000	\$400,001 to \$600,000
37%	\$500,001 and over	\$600,001 and over

### Standard Deduction is Almost Doubled

For single filers, the standard deduction is increased from \$6,350 to \$12,000. For married couples filing jointly, it increases from \$12,700 to \$24,000. Under the new law, fewer filers would choose to itemize, as the only reason to continue to itemize is if deductions exceed the standard deduction.

### Personal and Elderly Exemptions

Currently, you can claim a \$4,050 personal exemption for yourself, your spouse and each dependent, which lowers your taxable income and resulting taxes. The new law eliminates these personal exemptions, replacing them with the increased standard deduction.

### Federal Estate Tax Exemptions Doubled

The new law does not repeal the Federal estate tax, but it eliminates it for almost everyone by doubling the estate tax exemption to \$11.2 million for individuals and \$22.4 million for married couples. Amounts over these exemptions will be taxed at 40%. The new rates are effective starting January 1, 2018 through December 31, 2025.

### Eliminates Individual Mandate to Buy Health Insurance

With the elimination of the individual mandate to purchase

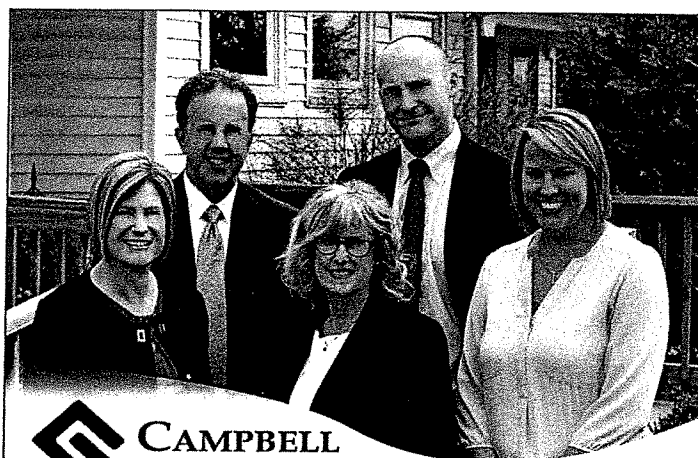
health insurance, there will no longer be a penalty for not buying insurance. This is expected to help offset the cost of the tax bill and save money by reducing the amount the federal government spends on insurance subsidies and Medicaid.

### 529 Plans Expanded

529 plans have been a tax-advantaged way to save for college costs. The new tax law expands the use of tax-free distributions from these plans, including paying for elementary and secondary school expenses for private, public and religious schools, as well as some home schooling expenses. Educational therapies for children with disabilities are also included. There is a \$10,000 annual limit per student.

### What to Watch

Expect some clarifications and strategies as the experts weigh in. There will also undoubtedly be some adjustments as the new tax bill goes into effect. Please don't hesitate to reach out to Campbell and Smith Law if you have questions about these new provisions and how they may impact you, or those you work with.



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- Families with loved ones with special needs and preservation of their benefits.

7000 Houston Rd. | Suite 3 | Florence, KY 41042 | (859)823-2300

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