2018 tax planning guide

John Hancock INVESTMENTS

Tax brackets for 2018

Married, filing jointly

$0–$19,050	10.0%
$19,051–$77,400	12.0%
$77,401–$165,000	22.0%
$165,001–$315,000	24.0%
$315,001–$400,000	32.0%
$400,001–$600,000	35.0%
Over $600,000	37.0%

Single

$0–$9,525	10.0%
$9,526–$38,700	12.0%
$38,701–$82,500	22.0%
$82,501–$157,500	24.0%
$157,501–$200,000	32.0%
$200,001–$500,000	35.0%
Over $500,000	37.0%

Married, filing separately

$0–$9,525	10.0%
$9,526–$38,700	12.0%
$38,701–$82,500	22.0%
$82,501–$157,500	24.0%
$157,501–$200,000	32.0%
$200,001–$300,000	35.0%
Over $300,000	37.0%

Head of household

$0–$13,600	10.0%
$13,601–$51,800	12.0%
$51,801–$82,500	22.0%
$82,501–$157,500	24.0%
$157,501–$200,000	32.0%
$200,001–$500,000	35.0%
Over $500,000	37.0%

Estates and trusts

$0–$2,550	10.0%
$2,551–$9,150	24.0%
$9,151–$12,500	35.0%
Over $12,500	37.0%

Long-term capital gains/ qualified dividend rates

0.0% rate when taxable income is below:

Married, filing jointly	$77,200
Married, filing separately	$38,600
Head of household	$51,700
Single	$38,600
Estate and trust	$2,600

15.0% rate when taxable income is below:

Married, filing jointly	$479,000
Married, filing separately	$239,500
Head of household	$452,400
Single	$425,800
Estate and trust	$12,700

20.0% rate applies to higher taxable income amounts

28.0% rate applies to capital gains on collectibles

Standard deduction

Married, filing jointly	$24,000
Single	$12,000
Married, filing separately	$12,000
Head of household	$18,000

Blind or over 65: additional $1,300 if married; $1,600 if single or head of household.

Capital loss limit

Married, filing jointly	$3,000
Single	$3,000
Married, filing separately	$1,500

If your capital loss exceeds your capital gains.

Estate tax

Transfer tax rate (maximum)	40%
Estate tax exemption	$10,000,000
Gift tax exemption	$10,000,000
Generation-skipping transfer exemption	$10,000,000

Education

529 plan contributions, per individual	$15,000 per yr. before a gift tax
529 plan contributions, per couple	$30,000 per yr. before a gift tax
Accelerate 5 years of gifting into 1 year per individual	$75,000
Per couple	$150,000

Lifetime learning credits

Maximum credit	$2,000
Phaseout—single	$57,000–$67,000 MAGI[1]
Phaseout—joint	$114,000–$134,000 MAGI[1]

Coverdell Education Savings Account

Contribution	$2,000
Phaseout—single	$95,000–$110,000 MAGI[1]
Phaseout—joint	$190,000–$220,000 MAGI[1]

Student loan interest

Deduction limit	$2,500
Phaseout—single	$65,000–$80,000 MAGI[1]
Phaseout—joint	$135,000–$165,000 MAGI[1]

Phaseout of tax-free savings bonds interest

Single	$79,700–$94,700 MAGI[1]
Joint	$119,550–$149,550 MAGI[1]

American opportunity tax credit

Maximum credit	$2,500
Phaseout—single	$80,000–$90,000 MAGI[1]
Phaseout—joint	$160,000–$180,000 MAGI[1]

Kiddie tax

Earned income is taxed at single tax bracket rates.

Net unearned income is taxed at estates and trusts tax bracket rates.

Retirement

IRA and Roth IRA contributions

Under age 50	$5,500
Aged 50 and over	$6,500

Phaseout for deducting IRA contributions

(for qualified plan participants)

Married, filing jointly	$101,000–$121,000 MAGI[1]
Single or head of household	$63,000–$73,000 MAGI[1]
Married, filing jointly[2]	$189,000–$199,000 MAGI[1]

Phaseout of Roth contribution eligibility

Joint	$189,000–$199,000 MAGI[1]
Single	$120,000–$135,000 MAGI[1]
Filing separately	$0–$10,000 MAGI[1]

SEP contribution

Up to 25% of compensation	Limit $55,000
To participate in SEP	$600

SIMPLE elective deferral

Under age 50	$12,500
Aged 50 and over	$15,500

Qualified plan contributions

401(k), 403(b), 457, and SARSEP	$18,500
Aged 50 and over	$24,500
Limit on additions to defined contribution plan	$55,000
Annual benefit limit on defined benefit plan	$220,000
Highly compensated employee makes	$120,000
Annual compensation taken into account for qualified plans	$275,000

1 Modified adjusted gross income.

2 Phaseout limit for spouse who is not a participant in a qualified plan.

Congress' approval of the Tax Cuts and Jobs Act in December 2017 produced some of the most significant changes to the nation's tax system in decades by reducing individual rates for taxpayers at several income levels, increasing standard deductions, and cutting the corporate tax rate. These changes affect income earned in 2018 and tax returns filed in early 2019. Most of the changes affecting individual taxpayers would be temporary, expiring on December 31, 2025; others have no expiration dates, and Congress could eventually agree to extend or modify some temporary provisions. In addition, the U.S. Internal Revenue Service has made annual inflation adjustments for 2018 affecting contribution limits relating to savings for education and retirement. The front page of this flyer provides specifics on changes resulting from the new tax law and from the inflation adjustments; additional details are highlighted below. For more information, please visit irs.gov or go to the John Hancock Investments Tax Center at jhinvestments.com/taxcenter.

Noteworthy changes in tax provisions for the 2018 tax year[3]

Reduced tax rates at most income levels

While the existing seven-bracket structure for individual tax rates has been retained, the income levels for the brackets have been modified and most individual tax rates have been cut. The top marginal tax rate of 39.6% has been reduced to 37.0%, and the income levels at which the new top rate applies have been lifted. Rate reductions for taxpayers at other income levels are as follows: 33.0% to 32.0%, 28.0% to 24.0%, 25.0% to 22.0%, and 15.0% to 12.0%. Rates for two other brackets—35.0% and 10.0%—remain unchanged; however, the income range for the 35.0% bracket has been widened.

Standard deductions increased

The standard deduction for individual taxpayers has increased sharply for most taxpayers, significantly reducing taxable income. For example, the standard deduction for married couples filing jointly has increased from $13,000 to $24,000; for single filers, from $6,500 to $12,000; for heads of household, from $9,550 to $18,000.

Personal exemption eliminated

The personal exemption that had allowed most households to reduce their taxable income by $4,050 per person has been eliminated, partially offsetting the benefit to many taxpayers from increased standard deductions.

Child tax credit expanded

The child tax credit has increased from $1,000 to $2,000 for single filers and married couples. The credit is fully refundable up to $1,400, and begins to phase out for married couples earning more than $400,000.

State and local tax deductions capped

The deduction for state and local taxes is capped at a combined $10,000 for income, sales, and property taxes.

Required minimum distributions

The Uniform Lifetime Table can be used by all IRA owners, starting at age 70, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

Uniform Lifetime Table*

Age of account owner	Divisor	Age of account owner	Divisor
70	27.4	81	17.9
71	26.5	82	17.1
72	25.6	83	16.3
73	24.7	84	15.5
74	23.8	85	14.8
75	22.9	86	14.1
76	22.0	87	13.4
77	21.2	88	12.7
78	20.3	89	12.0
79	19.5	90	11.4
80	18.7		

*The table progresses until the divisor becomes 1.9 for ages 115 and higher.

3 U.S. Internal Revenue Service, 2017.