

Consumer Reports Tax Profiles: Final Bill

Two-Income Family
Durham, N.C.
Income: \$122,000

	Present Law	New Law
Taxable Wages	\$95,000	\$95,000
Long Term Capital gains	400	400
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Adjusted Gross Income	\$95,400	\$95,400
Income Tax Deduction	(4,337)	
Property Taxes	(3,900)	
Charitable Contribution	(2,900)	
Mortgage Interest Deduction	(6,000)	
Standard Deduction		(24,000)
Personal Exemptions	(16,600)	0
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Taxable Income	\$61,663	\$71,400
Tax	8,237	8,139
Child Care Credit	(200)	(200)
Lifetime Learning Credit	(2,000)	(2,000)
Family Credit		
Child Tax Credit	(2,000)	(4,000)
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Tax Due	\$4,037	\$1,939
Amount change		\$2,098
Percentage change		-52%

Assumptions: Homeowners, ages 42 and 43, with two school-age kids. 401(k) contributions: \$22,000. Dependent care flexible spending account contribution: \$5,000. Investment income: \$400. Property taxes: \$3,900. Charitable contributions: \$2,900. Mortgage interest deduction: \$6,000. Child-care expenses: \$6,000. Annual tuition and fees: \$10,500.

**Single Parent
Milwaukee, Wis.
Income: \$37,000**

	Present Law	New Law
Adjusted Gross Income	\$37,000	\$37,000
Standard Deduction	(9,550)	(18,000)
Personal Exemption	(8,300)	0
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Taxable Income	\$19,150	\$19,000
Tax	2,193	2,008
Family Credit		0
Child Tax Credit	(1,000)	(2,000)
Earned Income Credit	(544)	(544)
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Tax Due (Refund)	\$649	(\$536)*
Amount Change		-\$1,185
Percentage Change		-183%

*Refund

Assumptions: Single parent, age 27, with one school-aged child, renting a home.

**Retirees, No Mortgage
Ukiah, Calif.
Income: \$38,800**

	Present Law	New Law
Pension Income	\$9,400	\$9,400
IRA Income	2,000	2,000
Taxable Social Security Benefits	0	0
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Adjusted Gross Income	\$11,400	\$11,400
Standard Deduction	(15,600)	(24,000)
Personal Exemption	(8,300)	0
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Taxable Income	0	0
Tax	0	0
Family Credit	0	0
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Tax Due	0	0

Assumptions: Ages 72 and 74. Social Security income: \$25,900. Pension income: \$9,400. IRA income: \$5,900.

**Big Income, Big Deductions
Briarcliff Manor, N.Y.
Gross Income: \$220,000**

	Present Law	New Law
Taxable wages	\$188,500	\$188,500
Long Term Capital Gains	10,000	10,000
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Adjusted Gross Income	\$198,500	\$198,500
Income Tax Deduction	(9,211)	0
Property Taxes	(22,000)	(10,000)
Charitable Contributions	(5,700)	(5,700)
Mortgage Interest Deduction	(16,000)	(16,000)
Personal Exemptions	(16,600)	0
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Taxable Income	\$128,989	\$166,800
Tax	22,555	27,875
Alternative Minimum Tax	727	0
Child Care Credit	(200)	(200)
Family and Child Credit	0	(4,000)
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Tax Due	\$23,082	\$23,675
Amount Change		\$593
Percentage Change		2.6%

Assumptions: Married couple, ages 48 and 51, filing jointly, with two school-age kids. The 51-year-old spouse works. 401(k) contributions: \$24,000. Dependent-care flexible spending account contribution: \$5,000. Medical flexible spending: \$2,500. Long-term capital gains: \$10,000. Charitable contributions: \$5,700. Property taxes: \$22,000. Mortgage interest: \$16,000.

**Divorced Business Owner
Colorado Springs, Colo.
Net Self-Employment Income: \$59,000**

	Present Law	New Law
Business income	\$59,000	\$59,000

Long Term Capital Gains	600	600
Student Loan Interest	(950)	(950)
Less SE Tax Deduction	(4,169)	(4,169)
Less SE Health Insurance Ded.	(5,700)	(5,700)
Less Alimony	(18,000)	0
Less Business Interest Deduction		(7,236)
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Adjusted Gross Income	\$30,781	\$41,545
Income Tax Deduction	(806)	0
Property Taxes	(800)	0
Charitable Contributions	(2,200)	0
Mortgage Interest Deduction	(6,228)	0
Standard Deduction	0	12,000
Personal Exemptions	(4,150)	0
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Taxable Income	\$16,597	\$29,545
Income Tax	1,923	3,283
Family Credit	0	0
Self Employment Tax	8,337	8,337
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Tax Due	\$10,260	\$11,620
Amount Change		\$1,360
Percentage Change		13.3%

Assumptions: Divorced taxpayer with \$59,000 in net self-employment income. Uses Roth IRA for retirement savings. Long-term capital gains: \$600. Student loan interest: \$950. Property taxes: \$800. Charitable contributions: \$2,200. Mortgage interest: \$6,228. Alimony/spousal support payments: \$18,000/year; law applicable to post-2018 divorces applies.

Moneybags
Coral Gables, Fla.
Income: \$2.1 million

	Present Law	New Law
Business Income	\$2,076,000	\$2,076,000
Long Term Capital Gains	25,000	25,000
Interest Income	28,000	28,000
Less Business Income Deduction		(250,000)
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Adjusted Gross Income	\$2,129,000	\$1,879,000
Sales Tax Deduction	(2,818)	0
Property Taxes	(30,000)	(10,000)
Charitable Contributions	(70,000)	(70,000)

Mortgage Interest Deduction	(35,000)	(26,250)
Sec. 68 Item. Ded. Phaseout	54,270	0
Personal Exemptions	0	0
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Taxable Income	\$2,045,452	\$1,772,750
Income Tax	749,243	591,047
Additional Medicare Tax	2,250	2,250
Net Investment Income Tax	2,014	2,014
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Tax Due	\$753,507	\$595,311
Amount Change		-\$158,196
Percentage Change		-21%

Assumptions: Married couple, ages 60 and 62, no dependent children. One works. Wages: \$500,000; pass-through income: \$1,600,000. (For this example, “reasonable compensation” was not considered in determining the income amount upon which the pass-through tax was determined.) 401(k) contribution: \$24,000. Long-term capital gains: \$25,000. Interest income: \$28,000. Sales tax: \$2,818. Property taxes: \$30,000. Charitable contributions: \$70,000. Mortgage interest: \$35,000 and is attributable to \$1 million of home acquisition debt incurred in 2018. All of the business income is non-passive. Business income deduction: \$250,000, based on the assumption that the business paid \$500,000 in qualified wages, the business’s qualified property basis was less than \$10 million, and the deduction was limited to 50% of the \$500,000 in wages paid.

**Long-Term-Care Patient
Missoula, Mont.
Income: \$72,000**

	Present Law	New Law
Pension and Interest Income	\$48,000	\$48,000
Taxable Social Security Benefits	20,400	20,400
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Adjusted Gross Income	\$68,400	\$68,400
Medical Expense Deduction	57,460	59,170
Sales Tax Deduction	0	0
Charitable Contribution		
Mortgage Interest Deduction		
Standard Deduction		
Personal Exemption	(4,150)	0
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Taxable Income	\$6,790	\$9,230
Tax	679	923
Family Credit		
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Tax Due	\$679	\$923
Amount Change		\$244
Percentage Change		36%

Assumptions: Widow, age 88. Long-term care expenses: \$59,300. Health insurance and other medical expenses: \$5,000. Social Security: \$24,000. Pension and interest income: \$48,000.

Sources: Phillip Schwindt, principal tax research analyst and Mark Luscombe, principal analyst, tax and accounting, at Wolters Kluwer Tax & Accounting; Steven Garcia, CPA; Michael Kresh, CFP; Robinson & Henry P.C.; Internal Revenue Service; United States Census Bureau; City-Data.com; Economic Policy Institute; Social Security Administration; Pension Rights Center; HSH.com; Zillow.com; Avalara.com; U.S. Government Accountability Office; Genworth.

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