

NEW TAX RATES AND THRESHOLDS FOR 2019



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New Tax Rates and Thresholds for 2019

On Thursday, November 15th, the IRS announced the new thresholds and exemptions to apply for 2019 tax planning.

While the highest individual tax rate is still 37%, with a 3.8% Medicare tax, a single person will now have to earn more than \$510,300 to reach that rate, and a married couple filing jointly will have to earn over \$612,350 to reach the rate.

Trusts that are taxed as separate taxpayers can now retain up to \$12,750 of income that will not be subject to the 3.8% Medicare tax, and which will be taxed at an overall average rate of 24.11%, saving \$2,127.09 in taxes for each such trust as opposed to having the income taxed at 40.8%.

For those who wish to qualify to take the new 20% deduction on trade and business income from a “specified trade or business “ (“SSTB”), the threshold for taxable income will be \$321,400 for a married couple and \$160,700 for someone single or who is married filing separately to have no phase out.

The estate tax exemption will rise from \$11,180,000 to \$11,400,000, and the \$15,000 per year annual exclusion for gifting will remain at \$15,000.

This is described in more detail by the attached charts, which were put together by Brandon Ketron, J.D., LL.M and our Empress of PowerPoints and presentations, Debbie Grey.

We welcome any and all questions, comments and suggestions on these changes.



ITEMS RELATING TO: ESTATE AND GIFT TAX ANNUAL EXCLUSIONS

	Tax Year 2019	Tax Year 2018
Unified Credit Against Estate Tax	\$11,400,000	\$11,180,000
Annual Exclusions for gifts	\$15,000	\$15,000
Gifts to Non-Citizen Spouses	\$155,000	\$152,000



ITEMS RELATING TO: INDIVIDUAL TAXPAYERS QUALIFIED BUSINESS INCOME (SECTION 199A)

Filing Status	Tax Year 2019	Tax Year 2018
Single	\$160,700	\$157,500
Married Jointly	\$321,400	\$315,000
Head of Household	\$160,700	\$157,500



ITEMS RELATING TO: INDIVIDUAL TAXPAYERS - KIDDIE TAX AND TRUST TAX RATES

The Kiddie Tax was modified by the 2017 Tax Act and taxes a child's unearned investment income over a certain threshold. Under prior law, unearned income of the child was taxed at the parents' rates. Under the 2017 Tax Act, unearned income will be taxed using the trust tax rates, which are as follows:

Ordinary Taxable Income (2018)	Ordinary Taxable Income (2019)	Ordinary Income Tax Rate
\$0 – \$2,550	\$0 – \$2,600	10%
\$2,551 – \$9,150	\$2,601 – \$9,300	24%
\$9,151 – \$12,500	\$9,301 – \$12,750	35%
\$12,501 +	\$12,751 +	37%
Capital Gain Income (2018)	Capital Gain Income (2019)	Capital Gain Tax Rate
\$0 – \$2,600	\$0 – \$2,650	0%
\$2,661 – \$12,700	\$2,651 – \$12,950	15%
\$12,701 +	\$12,951 +	20%



Tax Brackets - Single

Changes to the tax brackets for Single Filers are listed below:

TAX YEAR 2019		TAX YEAR 2018	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	\$0 to \$9,700	10%	\$0 to \$9,525
12%	\$9,701 to \$39,475	12%	\$9,526 to \$38,700
22%	\$39,476 to \$84,200	22%	\$38,701 to \$82,500
24%	\$84,201 to \$160,725	24%	\$82,501 to \$157,500
32%	\$160,726 to \$204,100	32%	\$157,501 to \$200,000
35%	\$204,101 to \$510,300	35%	\$200,001 to \$500,000
37%	Over \$510,300	37%	Over \$500,000

The brackets will continue to be adjusted for inflation, except that the inflation adjustments will be based upon the “Chained CPI.”

These changes sunset for tax years beginning in 2026.



Tax Brackets – Married Filing Jointly

Changes to the tax brackets for those who are Married Filing Jointly are listed below:

TAX YEAR 2019		TAX YEAR 2018	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	\$0 to \$19,400	10%	\$0 to \$19,050
12%	\$19,401 to \$78,950	12%	\$19,051 to \$77,400
22%	\$78,951 to \$168,400	22%	\$77,401 - \$165,000
24%	\$168,401 to \$321,450	24%	\$165,001 - \$315,000
32%	\$321,451 to \$408,200	32%	\$315,001 - \$400,000
35%	\$408,201 to \$612,350	35%	\$400,001 - \$600,000
37%	Over \$612,350 +	37%	Over \$600,000 +

The brackets will continue to be adjusted for inflation, except that the inflation adjustments will be based upon the “Chained CPI.”

These changes sunset for tax years beginning in 2026.



Tax Brackets – Head of Household

Changes to the tax brackets for those filing as a Head of Household are listed below:

TAX YEAR 2019		TAX YEAR 2018	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	\$0 to \$13,850	10%	\$0 to \$13,600
12%	\$13,851 to \$52,850	12%	\$13,601 to \$51,800
22%	\$52,851 to \$84,200	22%	\$51,801 to \$82,500
24%	\$84,201 to \$160,700	24%	\$82,501 to \$157,500
32%	\$160,701 to \$204,100	32%	\$157,501 to \$200,000
35%	\$204,101 to \$510,300	35%	\$200,001 to \$500,000
37%	Over \$510,300	37%	Over \$500,000

The brackets will continue to be adjusted for inflation, except that the inflation adjustments will be based upon the “Chained CPI.”

These changes sunset for tax years beginning in 2026.



ITEMS RELATING TO: INDIVIDUAL TAXPAYERS CAPITAL GAINS TAX RATES

Long Term Capital Gains Tax Rates:

Tax Rate	Long Term Capital Gain/ Qualified Dividend Income			
	2019		2018	
	Married Filing Jointly	Single	Married Filing Jointly	Single
0%	\$0 - \$78,750	\$0 - \$39,375	\$0 - \$77,200	\$0 - \$38,600
15%	\$78,751 - \$488,850	\$39,376 - \$434,550	\$77,201 - \$479,000	\$38,601 - \$425,800
20%	\$488,851 +	\$434,551 +	\$479,001 +	\$425,801 +

Short term capital gains will continue to be taxed at ordinary income rates.



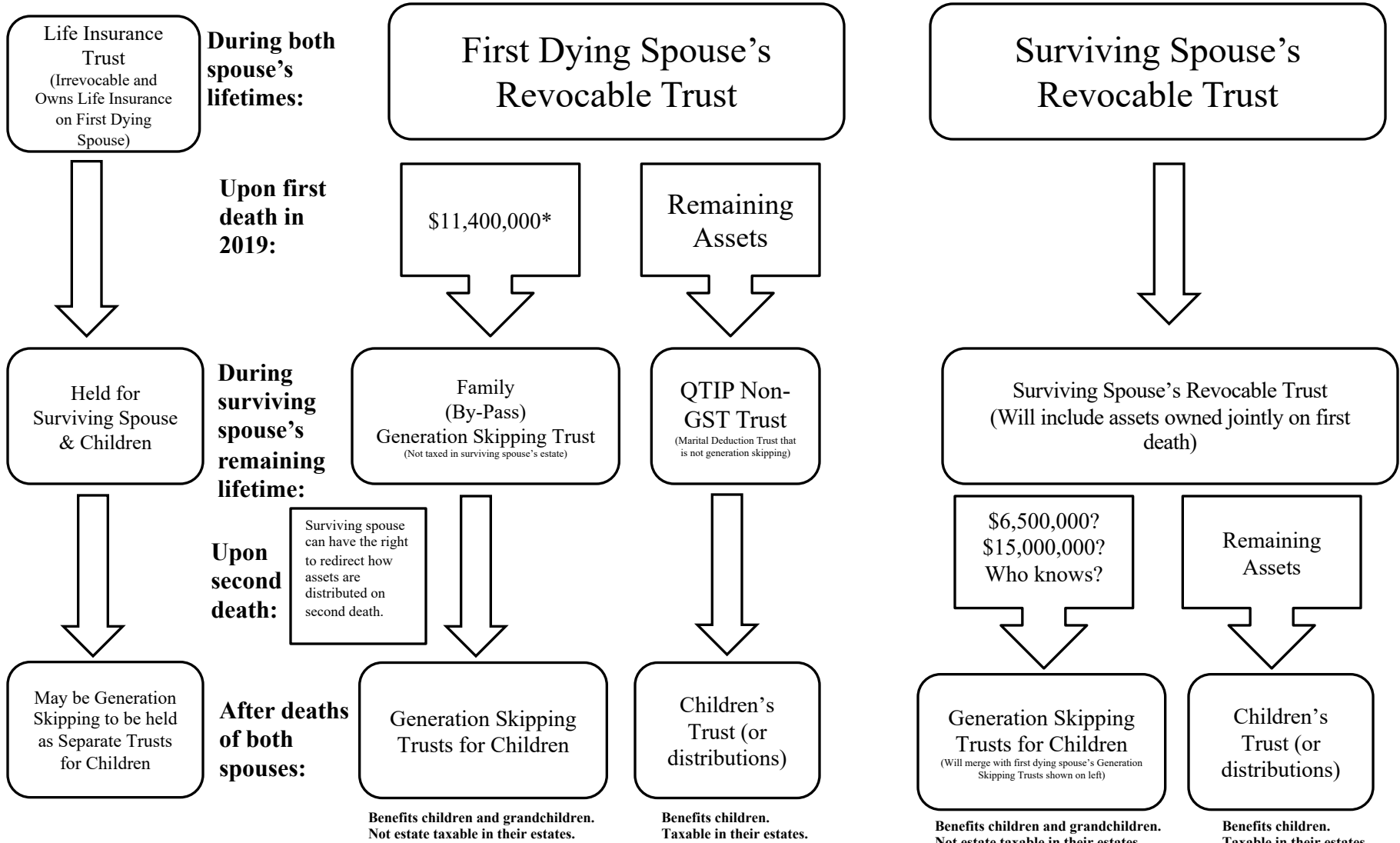
ITEMS RELATING TO: INDIVIDUAL TAXPAYERS ALTERNATIVE MINIMUM TAX (AMT)

Filing Status	Alternative Minimum Tax (AMT) Exemption Amounts			
	2018		2019	
	Exemption	Phase out	Exemption	Phase out
Single	\$70,300	\$500,000	\$71,700	\$510,300
Married Filing Joint	\$109,400	\$1,000,000	\$111,700	\$1,020,600
Married Filing Separately	\$54,700	\$500,000	\$55,850	\$510,300

The exemption is reduced by \$0.25 for every dollar of income that exceeds the phase out threshold



PROTECTIVE TRUST LOGISTICAL CHART



*Assumes first spouse dies in 2019 when the exemption is \$11,400,000, and that the surviving spouse dies in a later year when the estate tax exemption has changed. The estate tax exemption is \$11,400,000, less any prior reportable gifts, for those that die in 2019, and increases with the "Chained CPL."

If the first spouse does not use the entire exemption amount, what remains may be added to the surviving spouse's allowance under the "portability rules" but will not grow with inflation, and will be lost if the surviving spouse remarries and the new spouse dies first, leaving no exemption.

