

Individual Income Tax Rate Structure For 2018-2025

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Over the next several weeks we will be focusing on individual aspects of the new tax act in a more in depth manner to help our clients understand how the new law might affect them. Our first alert identifies and explains the new temporary tax rate bracket structure for individuals starting this year, 2018 and ending in 2025.

The Tax Cuts and Jobs Act of 2017 (the “Act”) introduced a new temporary tax rate bracket structure for individuals for taxable years beginning in 2018 and ending in 2025. As many of you know, the Act’s income tax changes for individuals included, but were not limited to, reducing individual income tax rates, suspending personal exemptions, and increasing the standard deduction. In 2017, the tax rate brackets were 10%, 15%, 25%, 28%, 33%, 35% and 39.6%, with the maximum 39.6% rate applying to taxable income exceeding \$470,700 for married taxpayers (\$418,400 for single taxpayers). Under the Act, the new tax rates will be 10%, 12%, 22%, 24%, 32%, 35% and 37%, with the maximum 37% rate applying to taxable income exceeding \$600,000 for married taxpayers (\$500,000 for single taxpayers). The changes to the income tax brackets will lower tax rates at many income levels.

The 2018 Income Tax Rates are as follows:

2018 Single Individuals Income Tax Rates

If taxable income is:	The tax is:
0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,500	\$14,089.50 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500

\$200,001 - \$500,000

\$45,689.50 + 35% of the amount over \$200,000

\$500,001 +

\$150,689.50 + 37% of the amount over \$500,000

EXAMPLES:

\$82,500 Taxable Income

$\$82,500 - \$38,700 = \$43,800 \times 22\% = \$9,636 + \$4,453.50 = \$14,089.50$

\$350,000 Taxable Income

$\$350,000 - \$200,000 = \$150,000 \times 35\% = \$52,500 + \$45,689.50 = \$98,189.50$

2018 Married Filing Jointly and Surviving Spouse Income Tax Rates

If taxable income is:

The tax is:

0 - \$19,050

10% of taxable income

\$19,050 - \$77,400

\$1,905 + 12% of the amount over \$19,050

\$77,401 - \$165,000

\$8,907 + 22% of the amount over \$77,400

\$165,001 - \$315,000

\$28,179 + 24% of the amount over \$165,000

\$315,001 - \$400,000

\$64,179 + 32% of the amount over \$315,000

\$400,001 - \$600,000

\$91,379 + 35% of the amount over \$400,000

\$600,001 +

\$161,379 + 37% of the amount over \$600,000

2018 Married Filing Separate Income Tax Rates

If taxable income is:

The tax is:

0 - \$9,525

10% of taxable income

\$9,526 - \$38,700

\$952.50 + 12% of the amount over \$9,525

\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,500	\$14,089.50 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$300,000	\$45,689.50 + 35% of the amount over \$200,000
\$300,001 +	\$80,689.50 + 37% of the amount over \$300,000

2018 Head of Household Income Tax Rates

If taxable income is:	The tax is:
0 – \$13,600	10% of taxable income
\$13,601 - \$51,800	\$1,360 + 12% of the amount over \$13,600
\$51,801 - \$82,500	\$5,944 + 22% of the amount over \$51,800
\$82,501 - \$157,500	\$12,698 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$30,698 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$44,298 + 35% of the amount over \$200,000
\$500,001 +	\$142,298 + 37% of the amount over \$500,000

The income tax rate brackets for individuals are an essential component in determining an individual's tax liability. The Internal Revenue Code (the "Code") imposes on each individual's taxable income, a tax based on the tax rate applicable to that individual's taxable income level and filing status. For individuals, taxable income is defined as gross income, minus "above-the-line" deductions, which is further reduced by the greater of the standard deduction or itemized deductions. The taxpayer's tax liability is then computed by applying the rates to taxable income and reducing the resulting amount by any allowable tax credits.

To find one's tax liability, an individual uses the appropriate tax rate bracket based on one's taxable income and filing status, i.e., single, married filing jointly/surviving spouse, married filing separately, and head of household. The Code provides seven statutory tax rate brackets for individuals based on their filing status. Each tax rate bracket is divided into income ranges, which are taxed at progressively

higher marginal tax rates as income increases. The same marginal tax rates apply to all individual taxpayers, but the bracket amounts (income ranges) to which the rates apply differ based on the taxpayer's filing status. The above-described changes to the individual income tax rate structure will apply only to taxable years 2018 through 2025. These changes will expire after December 31, 2025.

The new income tax brackets with lower income tax rates will have the overall effect of lowering the tax liability for the average taxpayer, but whether the income tax is reduced for a particular taxpayer depends on the individual circumstances of that taxpayer including but not limited to other Act changes such as the suspension of the deduction for personal exemptions, the limitation or suspension of itemized deductions, and the increased standard deduction.

Please feel free to reach out to Einhorn Barbarito with any questions you might have.