



# Facts You Need to Know *About Taxes*

## **Your Reference Guide to:**

2018 Tax Rates  
College Savings Incentives  
IRA and 401(k) Contributions  
Affordable Care Act Taxes  
ABLE Accounts  
Social Security Benefits



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2018 Income Tax Rates

Marrieds Filing Jointly or a Qualifying Widow(er)		
If your taxable income is over:	But not over:	The tax is:
\$0	\$19,050	10% of the taxable income
\$19,050	\$77,400	\$1,905 plus 12% of the excess over \$19,050
\$77,400	\$165,000	\$8,907 plus 22% of the excess over \$77,400
\$165,000	\$315,000	\$28,179 plus 24% of the excess over \$165,000
\$315,000	\$400,000	\$64,179 plus 32% of the excess over \$315,000
\$400,000	\$600,000	\$91,379 plus 35% of the excess over \$400,000
\$600,000	\$161,379 plus 37% of the excess over \$600,000	

Head of Households		
If your taxable income is over:	But not over:	The tax is:
\$0	\$13,600	10% of the taxable income
\$13,600	\$51,800	\$1,360 plus 12% of the excess over \$13,600
\$51,800	\$82,500	\$5,944 plus 22% of the excess over \$51,800
\$82,500	\$157,500	\$12,698 plus 24% of the excess over \$82,500
\$157,500	\$200,000	\$30,698 plus 32% of the excess over \$157,500
\$200,000	\$500,000	\$44,298 plus 35% of the excess over \$200,000
\$500,000	\$149,298 plus 37% of the excess over \$500,000	

Singles		
If your taxable income is over:	But not over:	The tax is:
\$0	\$9,525	10% of the taxable income
\$9,525	\$38,700	\$952.50 plus 12% of the excess over \$9,525
\$38,700	\$82,500	\$4,453.50 plus 22% of the excess over \$38,700
\$82,500	\$157,500	\$14,089.50 plus 24% of the excess over \$82,500
\$157,500	\$200,000	\$32,089.50 plus 32% of the excess over \$157,500
\$200,000	\$500,000	\$45,689.50 plus 35% of the excess over \$200,000
\$500,000	\$150,689.50 plus 37% of the excess over \$500,000	

Married Filing Separately		
If your taxable income is over:	But not over:	The tax is:
\$0	\$9,525	10% of the taxable income
\$9,525	\$38,700	\$952.50 plus 12% of the excess over \$9,525
\$38,700	\$82,500	\$4,453.50 plus 22% of the excess over \$38,700
\$82,500	\$157,500	\$14,089.50 plus 24% of the excess over \$82,500
\$157,500	\$200,000	\$32,089.50 plus 32% of the excess over \$157,500
\$200,000	\$300,000	\$45,689.50 plus 35% of the excess over \$200,000
\$300,000	\$80,689.50 plus 37% of the excess over \$300,000	

Trusts and Estates		
If your taxable income is over:	But not over:	The tax is:
\$0	\$2,550	10% of the taxable income
\$2,550	\$9,150	\$255 plus 24% of the excess over \$2,550
\$9,150	\$12,500	\$1,839 plus 35% of the excess over \$9,150
\$12,500	\$3,011.50 plus 37% of the excess over \$12,500	

## Alternative Minimum Tax

Standard Deduction Amounts for 2018	
Marrieds filing jointly	\$24,000
Singles	\$12,000
Marrieds filing separately	\$12,000
Heads of households	\$18,000

Additional Standard Deductions	
At least age 65 and single	\$1,600
At least age 65 and married	\$1,300
Married, both over 65	\$2,600
Single and blind	\$1,600
Married and blind	\$1,300
Married and both blind	\$2,600
Married, both blind and over 65	\$5,200

Child and Family Credits	
Qualifying child (under 17)	\$2,000
Other dependent	\$500
Refundable amount	\$1,400
Credit phaseout Married filing jointly	AGI over \$400,000
All other taxpayers	AGI over \$200,000

2018 Business Tax Rates	
Corporate Tax Rate	21%
Deduction for Pass-Through Business Income	20%

AMT Tax Rates for 2018		
Rate	Marrieds filing separately	All other filers
26%	Up to \$93,900	Up to \$187,800
28%	More than \$93,900	More than \$187,800

AMT Exemption Amounts	
Single individual	\$70,300
Marrieds filing jointly	\$109,400
Marrieds filing separately	\$54,700

AMT Exemption Phaseout	
	Begins above
Marrieds Filing Jointly	\$1,000,000
Singles	\$500,000
Marrieds Filing Separately	\$500,000

## Affordable Care Act (ACA) Taxes

Additional Medicare Tax	0.9% tax on wages and self-employment income over:
Marrieds filing jointly	\$250,000
Singles	\$200,000
Marrieds filing separately	\$125,000
Net Investment Income Tax	Additional 3.8% tax on net investment income if Modified Adjusted Gross Income exceeds:
Marrieds filing jointly	\$250,000
Singles	\$200,000
Marrieds filing separately	\$125,000
Head of household	\$200,000
Qualifying widow(er)	\$250,000

## Estate and Gift Taxes

**Estates.** The federal estate tax exemption in 2018 is about \$11,200,000. With appropriate tax filings and tax elections, married couples may secure a \$22,400,000 exemption regardless of which spouse dies first or how the couple owns their property (assuming that they both die in 2018). Amounts in excess of the exemption are taxed at a 40% rate.

**Gifts.** The lifetime federal gift tax exemption in 2018 is about \$11,200,000. Amounts transferred in excess of the exemption are taxed at 40%.

For 2018, the annual exclusion from the gift tax is \$15,000. A gift no larger than \$15,000 may be given to each of as many people as you wish without incurring gift tax or using up your lifetime federal gift tax exclusion. To qualify for the annual exclusion, the gift must be of a "present interest," meaning that the person receiving the gift must have the immediate right to use and enjoy the gift, without strings attached. Couples may "split" their gifts to secure a \$30,000 annual exclusion.

Developments occurring after January 1, 2018, are not reflected in this guide.

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## College Savings Incentives

**Section 529 plans.** No federal tax need be paid on the income earned on amounts accumulated in a state-sponsored Section 529 plan. When withdrawals are made and used for qualified education expenses (college or up to \$10,000 of elementary or secondary school expenses), they won't be taxed either.

**Coverdell Education Savings Accounts (CESAs).** You can contribute up to \$2,000 a year per child to a CESA. Earnings grow tax free as long as withdrawals are used for qualified education expenses. Eligibility to contribute the full amount phases out between a modified adjusted gross income (MAGI) of \$95,000 and \$110,000 (singles); between \$190,000 and \$220,000 (marrieds filing jointly).

**American Opportunity Tax Credit.** The maximum American Opportunity Tax Credit is 100% of the first \$2,000 and 25% for the next \$2,000 of qualified tuition and related expenses. The credit phases out at MAGI of \$160,000 for marrieds filing jointly (\$80,000 for singles).

**Lifetime Learning Credit.** The maximum Lifetime Learning Credit is \$2,000, with the credit phasing out at modified adjusted gross income of \$114,000 for marrieds filing jointly (\$57,000 for singles).

**U.S. Savings Bonds income exclusion.** For 2018 the income from certain U.S. Savings Bonds used to pay qualified higher education expenses may be excluded from tax. Eligibility for the exclusion phases out from \$119,550 to \$149,550 for marrieds filing jointly, \$79,700 and \$94,700 for all other returns.

**Interest deduction for education loans.** A tax deduction is available for up to \$2,500 in qualified education loan interest. Eligibility for the deduction phases out between MAGI of more than \$65,000 and \$80,000 (singles); between \$135,000 and \$165,000 (marrieds filing jointly).

## Other Credits and Deductions

**Long-term care insurance premiums.** In some instances, portions of the premiums paid for qualified long-term care insurance may be tax deductible. For 2018 they are: \$410 for those who are age 40 or under at the end of the tax year; \$780, if older than 40 but not older than 50; \$1,560, older than 50 but not older than 60; \$4,160, older than 60 but not older than 70; \$5,200, older than 70.

**Adoption credit.** You may be able to take a tax credit of up to \$13,840 for qualifying expenses paid to adopt an eligible child. The adoption credit is an amount that you subtract from your tax liability. Phaseout begins at \$207,580, the amount of the credit begins to phase out and is phased out completely at \$247,580.

**ABLE Accounts.** Beginning in 2015, Congress authorized ABLE Accounts for disabled persons. "ABLE" is the acronym for "Achieving a Better Life Experience." Annual contributions are permitted up to the gift tax annual exclusion amount, \$15,000 in 2018. Additional contributions are permitted in some circumstances. Earnings of ABLE Accounts are tax free, as are distributions for qualified disability expenses, including education, housing, transportation, and employment training, among others. ABLE Account balances won't be counted in determining eligibility for government programs. At the death of the beneficiary, the government may make a claim on the ABLE Account for the amount of its expenses.

# Investments

(See earlier panel for additional 3.8% ACA tax on net investment income.)

Capital gain and dividend tax rates		
Short-term capital gain rates (capital asset held one year or less)		same as ordinary income, rates up to 37%
General long-term capital gain rates (capital asset held more than one year):		
For taxpayers in the 10% and 12% tax brackets		0%
For taxpayers in the 22%, 24%, 32% and 35% tax brackets		15%
For taxpayers in the 37% tax bracket		20%
Maximum long-term capital gain rate from the sale of real estate with unrecaptured depreciation (often referred to as unrecaptured Section 1250 property)		25%
Long-term capital gain rate for collectibles and certain small business stock		28%
Qualified dividend income tax rates:		
For taxpayers in the 10% and 12% tax brackets		0%
For taxpayers in the 22%, 24%, 32% and 35% tax brackets		15%
For taxpayers in the 37% tax bracket		20%

IRA Required Minimum Distributions					
Age	Divisor	Percentage	Age	Divisor	Percentage
70.0	27.4	3.6%	93.0	9.6	10.4%
71.0	26.5	3.8%	94.0	9.1	11.0%
72.0	25.6	3.9%	95.0	8.6	11.6%
73.0	24.7	4.0%	96.0	8.1	12.3%
74.0	23.8	4.2%	97.0	7.6	13.2%
75.0	22.9	4.4%	98.0	7.1	14.1%
76.0	22.0	4.5%	99.0	6.7	14.9%
77.0	21.2	4.7%	100.0	6.3	15.9%
78.0	20.3	4.9%	101.0	5.9	16.9%
79.0	19.5	5.1%	102.0	5.5	18.2%
80.0	18.7	5.3%	103.0	5.2	19.2%
81.0	17.9	5.6%	104.0	4.9	20.4%
82.0	17.1	5.8%	105.0	4.5	22.2%
83.0	16.3	6.1%	106.0	4.2	23.8%
84.0	15.5	6.5%	107.0	3.9	25.6%
85.0	14.8	6.8%	108.0	3.7	27.0%
86.0	14.1	7.1%	109.0	3.4	29.4%
87.0	13.4	7.5%	110.0	3.1	32.3%
88.0	12.7	7.9%	111.0	2.9	34.5%
89.0	12.0	8.3%	112.0	2.6	38.5%
90.0	11.4	8.8%	113.0	2.4	41.7%
91.0	10.8	9.3%	114.0	2.1	47.6%
92.0	10.2	9.8%	115+	1.9	52.6%

# Retirement Plans and Social Security

Social Security for 2018	
Social Security wage base	\$128,400

Retirement Earnings Test Exempt Amounts	
Under full retirement age (\$1 in benefits is withheld for every \$2 in earnings above the limit.)	\$17,040
The year in which full retirement age is reached (\$1 in benefits is withheld for every \$3 in earnings above the limit but only for months prior to reaching full retirement age.)	\$45,360
After full retirement age is reached	no limit

Taxation of Social Security Benefits	
Singles with <i>Provisional Income</i> *	
below \$25,000	pay no tax on benefits
from \$25,000 to \$34,000	pay tax on 50% of benefits
over \$34,000	pay tax on up to 85% of benefits
Marrieds filing a joint return with <i>Provisional Income</i> *	
below \$32,000	pay no tax on benefits
from \$32,000 to \$44,000	pay tax on 50% of benefits
over \$44,000	pay tax on up to 85% of benefits

\*The IRS defines *Provisional Income* as your modified adjusted gross income (MAGI) plus one-half of your Social Security benefits. (MAGI is AGI plus tax-exempt income.)

Maximum Retirement Plan Contribution Limits for 2018*		
	Maximum contribution	Maximum contribution for those age 50 and over
Traditional IRA/ Roth IRA	\$5,500	\$6,500
401(k) plans	\$18,500	\$24,500

Phaseout of Deductibility of IRA Contributions Based on MAGI* (If you are an active participant in a company retirement plan)	
Singles and Heads of Household	\$63,000 to \$73,000
Marrieds filing joint returns and both spouses are active plan participants	\$101,000 to \$121,000
Marrieds filing joint returns and one spouse is active plan participant	\$189,000 to \$199,000
Marrieds filing separately	\$0 to \$10,000

Phaseout of Roth IRA Contributions Based upon MAGI*	
Singles	\$120,000 to \$135,000
Marrieds filing a joint return	\$189,000 to \$199,000

\*As announced by IRS as of January 1, 2018. Does not reflect “chained inflation” adjustments, if any.