Elek & Noss LLC
Certified Public Accountants & Business Advisors

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I. Changes Affecting Individuals

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Affordable Care Act (ACA) Individual Healthcare Mandate
Under TCJA, the amount of the individual shared responsibility payment (aka, the "individual healthcare mandate") enacted as part of the ACA is reduced to zero, effective with respect to health coverage status for months beginning after December 31, 2018. (return to Changes Affecting Individuals)

Individual Tax Rates and Brackets
TCJA replaces the current set of seven individual tax rates with a different set of seven individual tax rates. Under TCJA, the highest marginal tax rate is 37%, as compared to the top tax rate of 39.6% under present law. The current tax rates of 10%, 15%, 25%, 28%, 33%, 35%, 39.6% rates are replaced with tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

Observation: While applicable rates at any given level of income generally go down by two to three points, some go up. For example, the rate for single taxpayers with taxable income between $200,000 and $400,000 goes from 33 percent to 35 percent (head of household filers face a similar jump, but at slightly different breakpoint).

The income tax bracket thresholds are all adjusted for inflation after December 31, 2018, and then rounded to the next lowest multiple of $100 in future years. Unlike present law (which uses a measure of the consumer price index for all-urban consumers), the new inflation adjustment uses the chained consumer price index for all-urban consumers.
Tax rates and brackets are as follows:

	Bracket Beginning Point				
Rate (%)	**Married Filing Jointly/Surviving Spouse** ($)	**Head of Household** ($)	**Single Individuals** ($)	**Married Filing Separately** ($)	**Estates and Trusts** ($)
10	0	0	0	0	0
12	19,050	13,600	9,525	9,525	N/A
22	77,400	51,800	38,700	38,700	N/A
24	165,000	82,500	82,500	82,500	2,550
32	315,000	157,500	157,500	157,500	N/A
35	400,000	200,000	200,000	200,000	9,150
37	600,000	500,000	500,000	300,000	12,500

This provision is effective after December 31, 2017, and expires after December 31, 2025.
(return to Changes Affecting Individuals)

Estate and Trust Tax Rates and Brackets
Under TCJA, the tax rate for estates and trusts are 10% of taxable income up to $2,550, 24% of the excess over $2,550 but not over $9,150; 35% of the excess over $9,150 but not over $12,500; and 37% of the excess over $12,500. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Simplification of Tax on Unearned Income of Children

TCJA simplifies the "kiddie tax" by effectively applying ordinary and capital gains rates applicable to trusts and estates to the net unearned income of a child. Thus, taxable income attributable to earned income is taxed according to an unmarried taxpayer's brackets and rates. Taxable income attributable to net unearned income is taxed according to the brackets applicable to trusts and estates, with respect to both ordinary income and income taxed at preferential rates. The child's tax is no longer affected by the tax situation of the child's parent or the unearned income of any siblings. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Maximum Rates on Capital Gains and Qualified Dividends

TCJA generally retains the present-law maximum rates on net capital gain and qualified dividends. The breakpoints between the zero- and 15-percent rates ("15-percent breakpoint") and the 15- and 20-percent rates ("20-percent breakpoint") are the same amounts as the breakpoints under current law, except the breakpoints are indexed using the Consumer Price Index for all Urban Consumers (C-CPI-U) in tax years beginning after 2017. Thus, for 2018, the 15-percent breakpoint is $77,200 for joint returns and surviving spouses (one-half of this amount for married taxpayers filing separately), $51,700 for heads of household, $2,600 for estates and trusts, and $38,600 for other unmarried individuals. The 20-percent breakpoint is $479,000 for joint returns and surviving spouses (one-half of this amount for married taxpayers filing separately), $452,400 for heads of household, $12,700 for estates and trusts, and $425,800 for other unmarried individuals.

Observation: Therefore, in the case of an individual (including an estate or trust) with adjusted net capital gain, to the extent the gain would not result in taxable income exceeding the 15-percent breakpoint, such gain is not taxed. Any adjusted net capital gain which would result in taxable income exceeding the 15-percent breakpoint but not exceeding the 20-percent breakpoint is taxed at 15 percent. The remaining adjusted net capital gain is taxed at 20 percent.

As under current law, unrecaptured Code Sec. 1250 gain generally is taxed at a maximum rate of 25 percent, and 28-percent rate gain is taxed at a maximum rate of 28 percent.
This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Net Investment Income Tax

TJCA retains the 3.8 percent net investment income tax (NIIT) without changes. (return to Changes Affecting Individuals)

Increase in Individual AMT Exemption and Phaseout Amounts

TCJA provides for increased AMT exemptions. For 2018, the exemptions are $109,400 (up from $84,500 in 2017) in the case of a joint return or the return of a surviving spouse; $70,300 (up from $54,300 in 2017) in the case of an individual who is unmarried and not a surviving spouse; $54,700 (up from $39,375 in 2017) in the case of a married individual filing a separate return. Additionally, TCJA increases the alternative minimum taxable income limit where the exemptions begin to phase out. Under TCJA, the exemption amount of any taxpayer is reduced by an amount equal to 25 percent of the amount by which the alternative minimum taxable income of the taxpayer exceeds $1,000,000 (up from $160,900 in 2017) in the case of a joint returns; and $500,000 for all others (up from amounts ranging from $80,450 to $120,700 in 2017). This provision is effective for tax years beginning after December 31, 2017. (return to Changes Affecting Individuals)

Paid Preparer Due Diligence Requirement for Head of Household Status

TCJA directs the Secretary of the Treasury to issue due diligence requirements for paid preparers in determining eligibility for a taxpayer to file as head of household. A penalty of $500 will be imposed for each failure to meet these requirements. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Increase in Standard Deduction

TCJA increases the basic standard deduction for individuals across all filing statuses. Under the provision, the amount of the standard deduction is increased to $24,000 for married individuals filing a joint return, $18,000 for head-of-household filers, and $12,000 for all other taxpayers. The amount of the standard deduction is indexed for inflation using the chained consumer price index for all-urban consumers for tax years beginning after December 31, 2018. The additional standard deduction for the elderly and the blind is not changed by the provision.

Observation: The fact that the standard deduction has nearly doubled may create the misleading impression that taxpayers will reap a large tax benefit from the change. But, because the increase in the standard deduction was coupled with the repeal of the deduction for personal exemption ($4,150, per exemption in 2018), the actual benefit is fairly modest. For example, the overall amount of income that is exempt from tax will increase by $2,700 for joint filers - a nice increase, but nowhere near double the $13,000 standard deduction under prior law. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of the Deduction for Personal Exemptions

TCJA repeals the deduction for personal exemptions. In addition, the provision modifies the requirements for those who are required to file a tax return. In the case of an individual who is not married, such individual is required to file a tax return if the taxpayer's gross income for the tax year exceeds the applicable standard deduction.

Married individuals are required to file a return if that individual's gross income, when combined with the individual's spouse's gross income for the tax year, is more than the standard deduction applicable to a joint return, provided that: (1) such individual and his spouse, at the close of the tax year, had the same household as their home; (2) the individual's spouse does not make a separate return; and (3) neither the individual nor his spouse is a dependent of another taxpayer who has income (other than earned income) in excess of $500 (indexed for inflation). This provision is effective after December 31, 2017, and expires after December 31, 2025.

Observation: Withholding rules under present law are based partly on the number of personal exemptions claimed by a taxpayer. Form W-4 and withholding tables will need to be changed to reflect the repeal of personal exemptions. TCJA provides that the Secretary may, at his discretion, administer wage withholding in 2018 without regard to the repeal of the deduction for personal exemptions. (return to Changes Affecting Individuals)

Repeal of Deduction for Alimony Paid

TCJA repeals the deduction for alimony paid and the corresponding inclusion of alimony in income by the recipient. The provision is effective for any divorce or separation instrument executed after December 31, 2018, or for any divorce or separation instrument executed on or before December 31, 2018, and modified after that date, if the modification expressly provides that the amendments made by this provision apply to such modification. Thus, alimony paid under a separation agreement entered into prior to the effective date is generally grandfathered. (return to Changes Affecting Individuals)

Temporary Reduction in Medical Expense Deduction Floor

TCJA provides special rules for medical expense deductions for years 2017 and 2018. For those years, the adjusted-gross-income floor above which a medical expense is deductible is reduced from 10 percent to 7.5 percent.

Observation: The medical expense deduction is one of a few areas where the Senate and House Bills went in opposite directions. Whereas the Senate Bill retained the deduction and enhanced it for certain tax years, the House Bill would have repealed it altogether. (return to Changes Affecting Individuals)

Limitation on Deduction for State and Local Taxes

TCJA limits the deduction for state and local property, income, war profits, and excess profits taxes to $10,000 ($5,000 in the case of a married individual filing a separate return), unless such taxes are paid or accrued in carrying on a trade or business or an activity described in Code Sec. 212 (relating to expenses for the production of income). TCJA also repeals the deduction for foreign property taxes. As under current law, taxpayers may elect to deduct state and local sales taxes in lieu of state and local income taxes.

Observation: An earlier version of this provision that was included in both the House and Senate Bills, would have permitted only the deduction of state, local, and foreign property taxes within the $10,000 limit. TCJA expanded the scope of the deduction to include state and local income taxes (or sales taxes in lieu thereof), as under current law, but eliminated the deduction for foreign property taxes.
Caution: TCJA includes a provision blocking taxpayers from prepaying state and local income taxes relating to the 2018 tax year in 2017 in order to circumvent the new limitation on the deduction. Specifically, in the case of an amount paid in a tax year beginning before January 1, 2018, with respect to a state or local income tax imposed for a tax year beginning after December 31, 2017, the payment will be treated as paid on the last day of the tax year for which such tax is imposed for purposes of applying the provision limiting the dollar amount of the deduction. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Limitation on Mortgage Interest Deduction
TCJA provides that a taxpayer may treat no more than $750,000 as acquisition indebtedness ($375,000 in the case of married taxpayers filing separately) for purposes of the mortgage interest deduction. In the case of acquisition indebtedness incurred before December 15, 2017, the limitation is the same as it is under current law: $1,000,000 ($500,000 in the case of married taxpayers filing separately).

Observation: A provision in the House Bill, that was omitted from TCJA, would have disallowed an interest deduction for debt used to acquire a second home. Thus, interest on such debt remains deductible within the overall limits that apply to the deductibility of acquisition indebtedness.

TCJA repeals the deduction for home equity indebtedness. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Modification to Deduction for Charitable Contributions
TCJA make the following modifications to the deduction for charitable contributions -
(1) increases in the income-based percentage limit described in Code Sec. 170(b)(1)(A) for certain charitable contributions by an individual taxpayer of cash to public charities and certain other organizations from 50 percent to 60 percent;
(2) denies a charitable deduction for payments made in exchange for college athletic event seating rights; and
(3) repeals the substantiation exception in Code Sec. 170(f)(8)(D) for certain contributions reported by the donee organization.
The provisions that increase the charitable contribution percentage limit and deny a deduction for stadium seating payments are effective for contributions made in tax years beginning after December 31, 2017. The provision that repeals the substantiation exception for certain contributions reported by the donee organization is effective for contributions made in tax years beginning after December 31, 2016. (return to Changes Affecting Individuals)

Partial Repeal of Deduction for Casualty and Theft Losses
TCJA temporarily modifies the deduction for personal casualty and theft losses. Under the provision, a taxpayer may claim a personal casualty loss, subject to the applicable limitations in Code Sec. 165(h), only if such loss was attributable to a disaster declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The above-described limitation does not apply with respect to losses incurred after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of Miscellaneous Itemized Deductions Subject to the 2-Percent Floor
TCJA repeals all miscellaneous itemized deductions that are subject to the two-percent of adjusted-gross-income floor. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of Overall Limitation on Itemized Deductions
TCJA repeals the overall limitation on itemized deductions. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Relief for 2016 and 2017 Disaster Areas - Relaxation of Casualty Loss Deduction Rules
TCJA provides tax relief relating to a "2016 disaster area," which is defined as any area with respect to which a major disaster was declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016 and 2017. In the case of a personal casualty loss which arose after December 31, 2015, and before January 1, 2018, and was attributable to the events giving rise to the Presidential disaster declaration, such losses are deductible without regard to whether aggregate net losses exceed ten percent of a taxpayer's adjusted gross income. Under the provision, in order to be deductible, the losses must exceed $500 per casualty. Additionally, such losses may be claimed in addition to the standard deduction.

Observation: While the Senate Bill originally applied only to calendar year 2016, TCJA expanded the relief to 2017 without changing the description in the provision as applying to the "2016 disaster area." The provision is effective on December 22, 2017. (return to Changes Affecting Individuals)

Relief for 2016 Disaster Areas - Relaxation of Retirement Plan Distribution Rules
The Senate Bill provides special rules for using retirement funds and taking a casualty loss deduction with respect to a "2016 disaster area." The term "2016 disaster area" means any area with respect to which a major disaster has been declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016. The term "qualified 2016 disaster distribution" means any distribution from an eligible retirement plan made on or after January 1, 2016, and before January 1, 2018, to an individual whose principal place of abode at any time during calendar year 2016 was located in a 2016 disaster area and who has sustained an economic loss by reason of the events giving rise to the Presidential declaration which was applicable to such area.

Under the provision, the early withdrawal penalties under Code Sec. 72(t) do not apply to a qualified 2016 disaster distribution to the extent the amount withdrawn does not exceed $100,000 over the aggregate amounts treated as qualified 2016 disaster distributions received by such individual for all prior years. Amounts required to be included in income as a result of such distributions may be included ratably over a three-tax year period. The provision also allows a casualty loss deduction with respect to a loss relating to a 2016 disaster area.

Observation: Although TCJA's relaxation of retirement plan distribution rules only applies to disasters occurring in 2016 (for which qualified retirement plan distributions can be made in either 2016 or 2017), victims of several major 2017 disasters were granted similar disaster relief by Pub. L. 115-63. See Parker Tax ¶ 79,330, "Hurricane Harvey, Irma, and Maria Relief" for an explanation of those relief provisions.
(return to Changes Affecting Individuals)

Rules for Exclusion of Gain from the Sale of a Principal Residence Unchanged
Both the House and Senate Bills included similar provisions tightening the rules for the exclusion of gain from the sale of a principal residence. Both bills would have made the exclusion available only if the taxpayer had owned and used the residence as a principal residence for at least five of the eight years (as opposed to two out of five years under current law) prior to selling it, and both would have allowed a taxpayer to benefit from the exclusion only once every five years (as opposed to once every two years under current law).

These provisions were not included in TCJA. Thus, the rules for exclusion of gain from the sale of a principal residence under current law will remain in effect. (return to Changes Affecting Individuals)

Repeal of Exclusion for Qualified Bicycle Commuting Reimbursement
TCJA repeals the exclusion from gross income and wages for qualified bicycle commuting reimbursements. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of Exclusion for Qualified Moving Expense Reimbursements
TCJA repeals the exclusion from gross income and wages for qualified moving expense reimbursements except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of Deduction for Moving Expenses
TCJA repeals the deduction for moving expenses. However, under the provision, rules providing for exclusions of amounts attributable to in-kind moving and storage expenses (and reimbursements or allowances for these expenses) for members of the Armed Forces of the United States (or their spouse or dependents) are not repealed. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Repeal of Certain Deductions Relating to Employee Achievement Awards
TCJA prohibits a deduction for cash, gift cards, and other non-tangible personal property given to an employee as an achievement award, effective for amounts paid or incurred after December 31, 2017.
(return to Changes Affecting Individuals)

Repeal of Deductions for Living Expenses of Members of Congress
TCJA repeals a provision which allows members of Congress to deduct up to $3,000 annually for certain living expenses, effective for tax years beginning after December 22, 2017. (return to Changes Affecting Individuals)

Modification to Gambling Losses
TCJA clarifies the scope of "losses from wagering transactions" as that term is used in Code Sec. 165(d). The provision provides that this term includes any deduction otherwise allowable incurred in carrying on any wagering transaction.

The provision is intended to clarify that the limitation on losses from wagering transactions applies not only to the actual costs of wagers incurred by an individual, but to other expenses incurred by the individual in connection with the conduct of that individual's gambling activity. The provision clarifies, for instance, an individual's otherwise deductible expenses in traveling to or from a casino are subject to the limitation under Code Sec. 165(d).

Observation: This provision will reverse the result reached by the Tax Court in Mayo v. Comm'r, 136 T.C. 81 (2011). In that case, the court held that a taxpayer's expenses incurred in the conduct of the trade or business of gambling, other than the cost of wagers, were not limited by Code Sec. 165(d), and were thus deductible under Code Sec. 162(a) as trade or business expenses. This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Reform of Child Tax Credit
TCJA increases the child tax credit to $2,000 per qualifying child under the age of 17.
Observation: The Senate Bill would have increased the maximum age of a qualifying child to 17. TCJA retains the current law maximum age of 16 (i.e., "under the age of 17").

The credit is further modified to provide for a $500 nonrefundable credit for qualifying dependents other than qualifying children. The provision generally retains the present-law definition of dependent. Under TCJA, the modified adjusted gross income threshold at which the credit begins to phase out is increased to $400,000 for joint filers and $200,000 for all other taxpayers. These amounts are not indexed for inflation.

The provision lowers the earned income threshold for the refundable child tax credit to $2,500. The maximum amount refundable may not exceed $1,400 per qualifying child (up from $1,000 under present law). Under the provision, the maximum refundable amount is indexed for inflation with a base year of 2017, rounding up to the nearest $100. In order to receive the refundable portion of the child tax credit, a taxpayer must include a social security number for each qualifying child for whom the credit is claimed on the tax return.

This provision is effective after December 31, 2017, and expires after December 31, 2025. (return to Changes Affecting Individuals)

Increased Contributions to ABLE Accounts and Allowance of Contributions to be Eligible for Saver's Credit

TCJA increases the contribution limitation to ABLE accounts under certain circumstances. While the general overall limitation on contributions (the per-donee annual gift tax exclusion ($14,000 for 2017)) remains the same, the limitation is increased with respect to contributions made by the designated beneficiary of the ABLE account. Under the provision, after the overall limitation on contributions is reached, an ABLE account's designated beneficiary can contribute an additional amount, up to the lesser of (1) the federal poverty line for a one-person household; or (2) the individual's compensation for the tax year. Additionally, the provision allows a designated beneficiary of an ABLE account to claim the saver's credit for contributions made to his or her ABLE account. The provision is effective for tax years beginning after December 22, 2017 and will sunset after December 31, 2025. (return to Changes Affecting Individuals)

Use of 529 Plan Distributions for Elementary or Secondary Schools

TCJA modifies Section 529 plans to allow such plans to distribute not more than $10,000 in expenses for tuition incurred during the tax year in connection with the enrollment or attendance of the designated beneficiary at a public, private or religious elementary or secondary school. This limitation applies on a per-student basis, rather than a per-account basis. Thus, under the provision, although an individual may be the designated beneficiary of multiple accounts, that individual may receive a maximum of $10,000 in distributions free of tax, regardless of whether the funds are distributed from multiple accounts. Any excess distributions received by the individual will be treated as a distribution subject to tax under the general rules of Code Sec. 529. The provision applies to distributions made after December 31, 2017. (return to Changes Affecting Individuals)

Rollovers Between 529 Plans and Qualified ABLE Programs

TCJA allows for amounts from qualified tuition programs (also known as Section 529 accounts) to be rolled over to an ABLE account without penalty, provided that the ABLE account is owned by the designated beneficiary of that Section 529 account, or a member of such designated beneficiary's family. Such rolled-over amounts count towards the overall limitation on amounts that can be contributed to an ABLE account within a tax year. Any amount rolled over that is in excess of this limitation will be includible in the gross income of the distributee in a manner provided by Code Sec. 72. The provision applies to distributions after December 31, 2017, and will sunset after December 31, 2025. (return to Changes Affecting Individuals)

Extension of Time Limit to Contest IRS Levy

TCJA extends from nine months to two years the period for returning the monetary proceeds from the sale of property that has been wrongfully levied upon. The provision also extends from nine months to two years the period for bringing a civil action for wrongful levy.

The provision is effective with respect to: (1) levies made after December 22, 2017; and (2) levies made on or before December 22, 2017 provided that the nine-month period has not expired as of December 22, 2017. (return to Changes Affecting Individuals)

Treatment of Certain Individuals Performing Services in the Sinai Peninsula of Egypt
TCJA grants combat zone tax benefits to the Sinai Peninsula of Egypt, if as of December 22, 2017 of the provision any member of the Armed Forces of the United States is entitled to special pay under Section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location. This benefit lasts only during the period such entitlement is in effect.

The provision is generally effective beginning June 9, 2015. The portion of the provision related to wage withholding applies to remuneration paid after December 22, 2017. (return to Changes Affecting Individuals)

Treatment of Student Loans Discharged on Account of Death or Disability
TCJA modifies the exclusion of student loan discharges from gross income, by including within the exclusion certain discharges on account of death or total and permanent disability of the student. Loans eligible for the exclusion under the provision are loans made by (1) the United States (or an instrumentality or agency thereof), (2) a state (or any political subdivision thereof), (3) certain tax-exempt public benefit corporations that control a state, county, or municipal hospital and whose employees have been deemed to be public employees under state law, (4) an educational organization that originally received the funds from which the loan was made from the United States, a State, or a tax-exempt public benefit corporation, or (5) private education loans (for this purpose, private education loan is defined in Section 140(7) of the Consumer Protection Act). The provision applies to discharges of loans after December 31, 2017, and before January 1, 2026. (return to Changes Affecting Individuals)

Deduction for Certain Educator Expenses Retained
The House Bill would have repealed the for the deduction of up to $250 for certain expenses of eligible educators. The Senate Bill would have doubled the current law deduction to $500. TCJA adopted neither the House nor Senate Bill and instead keeps the current law $250 deduction. (return to Changes Affecting Individuals)

Deduction for Student Loan Interest and the Exclusion for Graduate Student Tuition Waivers Retained
TCJA omits provisions from the House Bill that would have repealed the above-the-line deduction for student loan interest and the exclusion from income of tuition waivers for graduate students, thereby retaining current rules for both provisions. (return to Changes Affecting Individuals)

Business Loss Limitation Rules Applicable to Individuals
Under TCJA, for tax years beginning after December 31, 2017, and before January 1, 2026, excess business losses of a taxpayer other than a corporation are not allowed for the tax year. Such losses are carried forward and treated as part of the taxpayer's net operating loss ("NOL") carryforward in subsequent tax years. Under this provision, NOL carryovers generally are allowed for a tax year up to the lesser of the carryover amount or 80 percent of taxable income determined without regard to the deduction for NOLs.

An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer (determined without regard to the limitation of the provision), over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount. The threshold amount for a tax year is $250,000 (or twice the otherwise applicable threshold amount in the case of a joint return). The threshold amount is indexed for inflation after 2018.
In the case of a partnership or S corporation, the provision applies at the partner or shareholder level.

Each partner's distributive share and each S corporation shareholder's pro rata share of items of income, gain, deduction, or loss of the partnership or S corporation are taken into account in applying the limitation under the provision for the tax year of the partner or S corporation shareholder. Regulatory authority is provided to apply the provision to any other passthrough entity to the extent necessary to carry out the provision. Regulatory authority is also provided to require any additional reporting as the Secretary determines is appropriate to carry out the purposes of the provision. The provision applies after the application of the passive loss rules. For tax years beginning after December 31, 2017, and before January 1, 2026, the present-law limitation relating to excess farm losses does not apply. The provision is effective for tax years beginning after December 31, 2017. (return to Changes Affecting Individuals)