



NORTHERN
TRUST

2019
FEDERAL TAXES
REFERENCE GUIDE

Goals Driven Wealth Management / Trust & Estate Services
Investing / Banking / Wealth Planning

Tax and Wealth Transfer Strategies

Our tax and wealth planning experts help build flexible long-term plans that seek to optimize wealth transfer strategies and minimize taxes.

northerntrust.com

SECTION 1

INCOME TAX RATES

MARRIED FILING A JOINT RETURN AND SURVIVING SPOUSES

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$19,400	\$0	10%	\$0
\$19,400	\$78,950	\$1,940	12%	\$19,400
\$78,950	\$168,400	\$9,086	22%	\$78,950
\$168,400	\$321,450	\$28,765	24%	\$168,400
\$321,450	\$408,200	\$65,497	32%	\$321,450
\$408,200	\$612,350	\$93,257	35%	\$408,200
\$612,350	....	\$164,709.50	37%	\$612,350

HEAD OF HOUSEHOLD

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$13,850	\$0	10%	\$0
\$13,850	\$52,850	\$1,385	12%	\$13,850
\$52,850	\$84,200	\$6,065	22%	\$52,850
\$84,200	\$160,700	\$12,962	24%	\$84,200
\$160,700	\$204,100	\$31,322	32%	\$160,700
\$204,100	\$510,300	\$45,210	35%	\$204,100
\$510,300	....	\$152,380	37%	\$510,300

SINGLE INDIVIDUAL

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$9,700	\$0	10%	\$0
\$9,700	\$39,475	\$970	12%	\$9,700
\$39,475	\$84,200	\$4,543	22%	\$39,475
\$84,200	\$160,725	\$14,382.50	24%	\$84,200
\$160,725	\$204,100	\$32,748.50	32%	\$160,725
\$204,100	\$510,300	\$46,628.50	35%	\$204,100
\$510,300	....	\$153,798.50	37%	\$510,300

MARRIED FILING A SEPARATE RETURN

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$9,700	\$0	10%	\$0
\$9,700	\$39,475	\$970	12%	\$9,700
\$39,475	\$84,200	\$4,543	22%	\$39,475
\$84,200	\$160,725	\$14,382.50	24%	\$84,200
\$160,725	\$204,100	\$32,748.50	32%	\$160,725
\$204,100	\$306,175	\$46,628.50	35%	\$204,100
\$306,175	....	\$82,354.75	37%	\$306,175

ESTATES AND TRUSTS

TAXABLE INCOME		TAX ON	% ON	OF THE
OVER	BUT NOT OVER	BRACKET AMOUNT	EXCESS	AMOUNT OVER
\$0	\$2,600	\$0	10%	\$0
\$2,600	\$9,300	\$260	24%	\$2,600
\$9,300	\$12,750	\$1,868	35%	\$9,300
\$12,750	....	\$3,075.50	37%	\$12,750

A CHILD WITH INVESTMENT AND OTHER UNEARNED INCOME

TAXABLE INCOME		TAX ON	% ON	OF THE
OVER	BUT NOT OVER	BRACKET AMOUNT	EXCESS	AMOUNT OVER
\$0	\$2,600	\$0	10%	\$0
\$2,600	\$9,300	\$260	24%	\$2,600
\$9,300	\$12,750	\$1,868	35%	\$9,300
\$12,750	....	\$3,075.50	37%	\$12,750

SECTION 2

STANDARD DEDUCTION

The personal exemption and limitation on itemized deductions were eliminated by the bill known as the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017.

Standard Deduction

Married Filing a Joint Return and Surviving Spouses \$24,400

Head of Household \$18,350

Single Individual \$12,200

Married Filing a Separate Return \$12,200

Child Tax Credit \$2,000

Child Tax Credit Phaseout

Married Filing a Joint Return \$400,000

All Others \$200,000

SECTION 3

INVESTMENT INCOME

CAPITAL GAINS & DIVIDENDS

TYPE OF GAIN	HOLDING PERIOD	RATES					
Short-Term Capital Gain	12 months or less	Taxed as ordinary income.					
Long-Term Capital Gain	More than 12 months	Taxed according to the below taxable income levels					
		Rate	Married Filing a Joint Return	Head of Household	Single Individual	Married Filing a Separate Return	Estates and Trusts
		0%	Up to \$78,750	Up to \$52,750	Up to \$39,375	Up to \$39,375	Up to \$2,650
		15%	\$78,751-\$488,850	\$52,751-\$461,700	\$39,376-\$434,550	\$39,376-\$244,425	\$2,651-\$12,950
20%	\$488,851 and over	\$461,701 and over	\$434,551 and over	\$244,426 and over	\$12,951 and over		
Qualified Dividends	121 days or more	Taxed according to the long-term capital gains income levels.					

3.8% NET INVESTMENT INCOME TAX

Married Filing a Joint Return and Surviving Spouses	\$250,000
Head of Household	\$200,000
Single Individual	\$200,000
Married Filing a Separate Return	\$125,000
Estates and Trusts	\$12,750

SECTION 4

ALTERNATIVE MINIMUM TAX (AMT)

AMT rate	26% and 28%
----------	-------------

AMT Income Thresholds

The maximum AMT rate of 28% applies to excess taxable income greater than the below amounts.

Married Individuals Filing Separately	\$97,400
All Others	\$194,800

AMT Exemptions

Married Filing a Joint Return and Surviving Spouses	\$111,700
Single Individual	\$71,700
Married Filing a Separate Return	\$55,850
Estates and Trusts	\$25,000
Kiddie Tax Exemption	Exemption may not exceed child's earned income plus \$7,750

AMT Exemption Phaseout

Phaseout of AMT exemption begins at the below alternative minimum taxable incomes.

Married Filing a Joint Return and Surviving Spouses	\$1,020,600
Single Individual	\$510,300
Married Filing a Separate Return	\$510,300
Estates and Trusts	\$83,500

SECTION 5

GIFT, ESTATE AND GENERATION-SKIPPING TRANSFER TAXES

Annual Gift Tax Exclusion (per recipient)	\$15,000
Annual Gift Tax Exclusion for Gifts to Non-US Citizen Spouse	\$155,000
Gift and Estate Tax Basic Exclusion (adjusted for inflation)	\$11,400,000
Maximum Marginal Gift and Estate Tax Rates	40%
GST Tax Exemption (adjusted for inflation)	\$11,400,000
GST Tax Rate	40%

RETIREMENT

CONTRIBUTION LIMITS

EMPLOYER PLANS

401(k), 403(b) and 457 Plans	\$19,000
SIMPLE Plans	\$13,000
IRAs	\$6,000

CATCH-UP CONTRIBUTION LIMITS

Individuals who are age 50 or over at the end of the calendar year can make the below maximum annual catch-up contributions.

401(k), 403(b) and 457 Plans	\$6,000
SIMPLE Plans	\$3,000
IRAs	\$1,000

RETIREMENT ACCOUNT PHASEOUTS

Active participants in an employer plan

Phaseout of deduction for contributions to a traditional IRA begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return and Surviving Spouses	\$103,000
Head of Household	\$64,000
Single Individual	\$64,000
Married Filing a Separate Return	\$0

Spouse is active but individual is not

Phaseout of deduction for contributions to a traditional IRA begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return	\$193,000
Married Filing a Separate Return	\$0

Roth IRAs

Phaseout of contribution eligibility begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return and Surviving Spouses	\$193,000
Head of Household	\$122,000
Single Individual	\$122,000
Married Filing a Separate Return	\$0

Required Minimum Distributions

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70½ years of age or, if later, the year in which he or she retires. However, if the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 70½, regardless of whether he or she is retired. An account owner with a beneficiary-spouse more than 10 years younger may use an IRS joint life table to find the distribution period, which in all cases is larger than the below distribution period. Finally, note that the distribution tables for inherited IRAs differ from the table below.

RMDs are determined by dividing the retirement account balance at the end of the previous year by the below distribution periods.

AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and after	1.9

SECTION 7

SOCIAL SECURITY AND MEDICARE

Old-Age, Survivors and Disability Insurance

Maximum Taxable Earnings	\$132,900
Employee's Share of Tax	6.2%
Self-Employed	12.4%

Hospital Insurance

Maximum Taxable Earnings	No Limit
Employee's Share of Tax	1.45%
Self-employed	2.9%

Medicare Part D

Income-related monthly adjustment amount applies at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return and Surviving Spouses	\$170,000
All Others	\$85,000

BUSINESS INCOME TAX

C-CORPORATIONS

- Income Tax • Income taxed at flat 21% rate
- Not subject to AMT

Pass-Through Businesses

Includes sole proprietorships, partnerships, limited liability companies taxed as partnerships and S-corporations.

- Deduction**
- The deduction equals 20% of qualified business income and is taken against the pass-through owner's taxable income.
 - Pass-through income must be "effectively connected" with the conduct of a U.S. trade or business (including Puerto Rico).
 - Investment income earned through a pass-through entity, including capital gains, dividends and interest, does not give rise to a deduction.
 - If the owner of the pass-through entity receives wages, a guaranteed payment or other form of reasonable compensation from the entity, this compensation income does not give rise to a deduction.

Income Thresholds For services businesses*

If the owner of a pass-through entity (a) earns income from a service business and (b) has taxable income over the following amounts, then he or she does not get the 20% deduction.

Married Filing a Joint Return	• \$321,400 - \$421,399: partial deduction \$421,400 or over: no deduction
Single Individual/ Head of Household	• \$160,700 - \$210,699: partial deduction • \$210,700 or over: no deduction
Married Filing a Separate Return	• \$160,725 - \$210,724: partial deduction • \$210,725 or over: no deduction

For all businesses

If the owner of a pass-through entity has taxable income over the following amounts, then his or her 20% deduction is capped as follows:

Married Filing a Joint Return	\$421,400	Deduction cannot exceed the greater of (a) 50% of the wages that the business paid in the taxable year or (b) 25% of the wages that the business paid in the taxable year plus 2.5% of the unadjusted basis of business property.
Single Individual/ Head of Household	\$210,700	
Married Filing a Separate Return	\$210,725	
Married Filing a Joint Return	\$321,401 - \$421,400	Cap phases in at this income range.
Single Individual/ Head of Household	\$160,701 - \$210,700	
Married Filing a Separate Return	\$160,726 - \$210,725	

*A services business is "any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners." It also includes any trade or business which involves the performance of services that consist of investing and investment management, trading or dealing in securities, partnership interests or commodities.



NORTHERN TRUST

© 2018, Northern Trust Corporation. All Rights Reserved.

All information herein is current as of December 2018.

LEGAL, INVESTMENT AND TAX NOTICE: This information is not intended to be and should not be treated as legal advice, investment advice or tax advice and is for informational purposes only. Readers, including professionals, should under no circumstances rely upon this information as a substitute for their own research or for obtaining specific legal or tax advice from their own counsel. All information discussed herein is current only as of the date appearing in this material and is subject to change at any time without notice. This information, including any information regarding specific investment products or strategies, does not take into account the reader's individual needs and circumstances and should not be construed as an offer, solicitation or recommendation to enter into any transaction or to utilize a specific investment product or strategy.