Kiplinger's

COMPLIMENTS OF NYSUT Member Benefits

15 THINGS
NYSUT Members Need to Know
About the New Tax Law

By the Editors of *Kiplinger's Personal Finance*

The new year started with a big change for every taxpayer in the land. The Tax Cuts and Jobs Act is now law, and it represents the biggest overhaul of the tax rules since Ronald Reagan was in office.

For NYSUT members and other individual taxpayers, the new law cuts tax rates, modifies or eliminates numerous deductions, and creates new tax-saving opportunities. Educators need to become pupils to learn the ins and outs of the new rules. What does the elimination of personal and dependent exemptions mean to you? Will the new, supercharged standard deductions mean you'll never itemize your deductions again?

In this guide, we briefly cover 15 topics likely to affect NYSUT members, and we provide several examples of the potential impact. Read on to see whether the new tax law adds up to good news or bad news for your family's bottom line.

WHEN DOES THE NEW LAW TAKE EFFECT?

Most of the changes went into effect at the beginning of 2018, just days after President Trump signed the bill into law. But it's important to understand that almost none of the new rules affect your 2017 tax return (due in April 2018). Also, note that most of the changes affecting individuals are scheduled to disappear after 2025, unless Congress acts to extend them.

MEMBER BENEFITS

nysut

Working to Benefit You

Dear NYSUT Member:

We hope that you enjoy this exclusive publication from *Kiplinger's Personal Finance* titled *15 Things NYSUT Members Need to Know About the New Tax Law*. Created exclusively for NYSUT members, this guide is designed to explain the changes brought about by the new federal tax law as well as how they may affect you and your family. This piece is being provided as a show of appreciation for your status as a valued member of the NYSUT organization.

NYSUT Member Benefits is continually striving to provide NYSUT members and their families with information designed to assist in making informed financial decisions. To that end, along with the enclosed document, you are encouraged to visit our online Financial Planning Center on the Member Benefits website at *memberbenefits.nysut.org*; there, you will find a vast array of interactive modules and financial calculators to help point you in the right direction toward financial security.

NYSUT Member Benefits endorses more than 40 programs & services that can help you better plan for your future, including our endorsed Financial Counseling Program & Legal Service Plan. In addition, we endorse a number of crucial insurance products along with shopping, travel & personal programs that may be of interest to you and your family.

Finally, we are pleased to announce our endorsement of Cambridge Credit Counseling Corporation as a provider to assist NYSUT members with better understanding their student loan repayment options and/or debt consolidation.

You can learn more about any of our offerings by visiting *memberbenefits.nysut.org* or calling 800-626-8101, weekdays between 9 a.m. and 5 p.m. (ET).

Sincerely,

J. Philippe Abraham
Chairperson, NYSUT Member Benefits Trust

1. Tax rate cuts for almost everyone

The new law cuts tax rates pretty much across the board. Although there are still seven tax brackets, most of the rates have fallen. The rate for the third bracket is now 22%, down from 25%, for example, and the top rate is now 37%, down from 39.6%.

Here are the 2017 tax brackets and the ones that will apply for 2018 for both single and joint returns.

There are also new brackets for head-of-household filers, as well as for married couples who file separate returns. You can find charts with these amounts online in the Member Benefits Financial Planning Center at memberbenefits.nysut.org.

Remember: Only the dollars that fall in each bracket are taxed at the rate shown. A single person who falls in the 22% bracket, for example, does not lose 22% of his or her 2018 income to the IRS.

Some income is tax-free. That's because of the standard or itemized deductions and write-offs for "adjustments to income" such as teacher classroom expenses, interest on student loans, and retirement plan contributions.

And the remaining "taxable" income is taxed in groups. For single filers, the first $9,525 is taxed at 10%, then the next $29,175 (up to the top of the 12% bracket) is taxed at 12%. Only the remaining income that tips into the 22% bracket is taxed at that rate.

What's the bottom line?

Except for the 10% bracket, the rates for each tax bracket are lower than in 2017. And because the brackets are wider, most taxpayers will have more of their income taxed at lower rates. That's good news.

But before you get too excited, be aware that other new provisions may offset this advantage. Those changes include the loss of personal exemptions and certain deductions. Keep reading to learn more.

SINGLE RETURNS			
2017		2018	
Taxable Income	Tax Rate	Taxable Income	Tax Rate
Up to $9,325	10%	Up to $9,525	10%
$9,326 to $37,950	15%	$9,526 to $38,700	12%
$37,951 to $91,900	25%	$38,701 to $82,500	22%
$91,901 to $191,650	28%	$82,501 to $157,500	24%
$191,651 to $416,700	33%	$157,501 to $200,000	32%
$416,701 to $418,400	35%	$200,001 to $500,000	35%
Over $418,400	39.6%	Over $500,000	37%

JOINT RETURNS			
2017		2018	
Taxable Income	Tax Rate	Taxable Income	Tax Rate
Up to $18,650	10%	Up to $19,050	10%
$18,651 to $75,900	15%	$19,051 to $77,400	12%
$75,901 to $153,100	25%	$77,401 to $165,000	22%
$153,101 to $233,350	28%	$165,001 to $315,000	24%
$233,351 to $416,700	33%	$315,001 to $400,000	32%
$416,701 to $470,700	35%	$400,001 to $600,000	35%
Over $470,700	39.6%	Over $600,000	37%

"Because the brackets are wider, most taxpayers will have more of their income taxed at lower rates."

2. Larger standard deductions

One of the most far-reaching changes in the new law is the near doubling of the standard deduction for each filing status.

Taxpayers itemize deductions only when the total of their qualifying expenses exceeds the amount of the no-questions-asked standard deduction. By increasing the standard deduction (and reducing or eliminating some deductible expenses), Congress will swell the ranks of non-itemizers.

One study suggests that more than 30 million taxpayers who have itemized in the past will choose the standard deduction in 2018 and future years.

But the jump in the regular standard deduction comes at a stiff tax price: As you will see in the next few sections, the new tax law also wipes out personal exemptions, including exemptions for dependents. It also eliminates or restricts numerous deductions.

So, will you come out ahead at the end of the day? The answer is that *it depends*. Keep reading to learn more.

Status	2017 Standard Deduction	*2018 Standard Deduction
Single	$6,350	$12,000
Head of Household	$9,350	$18,000
Married Filing Jointly	$12,700	$24,000

*As before, individuals who are age 65 or older (or who are blind) can claim an additional amount. For single taxpayers, the extra deduction in 2018 is $1,600, bringing the standard deduction for a taxpayer 65 or older to $13,600; for married couples, the add-on for age or blindness is $1,300, so the standard deduction for a couple in which both husband and wife are 65 or older rises to $26,600.

3. Pause button for personal exemptions

In the past, all taxpayers — including those who claimed the standard deduction and itemizers — could claim a personal exemption for themselves, a spouse (if married), and qualified dependent children and relatives. In 2017, each exemption was $4,050.

The new tax law wipes out exemptions, at least through 2025. That can have a big impact, particularly on big families. Imagine a couple with four dependent children. Under the old rules, six exemptions would have protected $24,300 of income from tax. Suddenly, the $11,300 added to the standard deduction doesn't seem like such a good deal.

Of course, while taxable income may be higher for many taxpayers under the new law, they'll also pay a lower rate on more of that income. Additionally, many may be eligible for the higher child tax credit discussed in the next section.

4. A higher child tax credit

The impact of losing personal exemptions is lessened somewhat for some families by an increase in the Child Tax Credit. This credit, available for each qualified child under age 17, is a direct reduction of your tax bill, and it doesn't matter whether you itemize deductions or not.

How much is it worth? The new law doubles the credit from $1,000 per child in 2017 to $2,000 per child, beginning in 2018.

What's more, for lower-income taxpayers, more of the credit is "refundable." That means if the credit pushes your tax liability below $0, the IRS will write you a refund check of up to $1,400 per eligible child.

Additionally, the new law significantly increases the income phaseout thresholds, so that more high-income families will pocket child tax credits. The credit begins to phase out for couples with adjusted gross incomes over $400,000 (up from $110,000 in 2017) and $200,000 for all other filers (up from $75,000).

IRS debuts new withholding calculator

By now, you should have seen important hints as to whether you're a tax overhaul winner or loser. Most taxpayers saw their paychecks rise in February, as employers began using updated income-tax withholding tables, which reflect the increase in the standard deduction, repeal of personal exemptions, and changes in tax rates and brackets.

If you're used to getting a fat refund each year, you need to be aware that the new tables are designed to deduct a "Goldilocks" amount from your paycheck: not too much and not too little. In other words, you might be getting an advance on part of the refund you'd otherwise get next spring.

Want to change the amount that is withheld?
The newly revised IRS Withholding Calculator (available at www.irs.gov/individuals/irs-withholding-calculator) can help you determine how closely the amount being withheld from your pay will match what you'll actually owe for 2018 under the new rules. If you discover that you need to increase or decrease the amount based on your personal financial needs, you should submit a new W-4 form to your employer.

It's especially important for people with more complex financial situations to use the calculator. The IRS calls out these groups in particular:

- Two-income families
- People with two or more jobs at the same time or who work for only part of the year
- People with children who claim credits such as the Child Tax Credit
- People who itemized deductions in 2017
- People with high incomes and more complex tax returns

To use the calculator, gather your most recent pay stubs and your most recent tax returns. And of course, if your circumstances change during the year, you'll want to revisit the tool to make sure your withholding is still correct.

In addition to the enhanced child tax credit, there is a new credit of $500 for each dependent who is not a qualifying child, including, for example, an elderly parent or disabled adult child. This credit phases out under the same income thresholds.

Are you a tax winner or loser?

As a result of the key tax law changes discussed so far — those involving individual tax rates, the standard deduction, personal exemptions, and the child tax credit — some NYSUT members will come out ahead under the new law, while others won't.

Scorecard for joint filers

Example: NYSUT member Charlotte is a joint filer with two children under age 17. She and her spouse have an adjusted gross income (AGI) of $100,000. (For simplicity's sake, we'll assume they take the standard deduction, but when you crunch your own numbers, plug in your itemized deductions for 2017 and either your estimated itemized write-offs or standard deduction for 2018.)

After taking the key factors into account, Charlotte benefits from an overall tax cut of $2,993, as shown below.

Of course, every situation is different. For instance, if Charlotte's two dependent children are age 17 or over, there's no child tax credit. In that case, the changes wind up costing her $1,007. Also, other factors may come into play.

Use the third and fourth columns in the chart below to figure your personal tax result for these key factors. Refer to the tax tables on page 3.

	Charlotte 2017	Charlotte Est. 2018	Your Taxes 2017	Your Taxes Est. 2018
AGI	$100,000	$100,000	$	$
Personal exemptions	($16,200)	N/A	$	N/A
Standard or itemized deduction	($12,700)	($24,000)	$	$
Taxable income	$71,100	$76,000	$	$
Tax before child credit	$9,732	$8,739	$	$
Child tax credit	($2,000)	($4,000)	$	$
Tax after child credit	$7,732	$4,739	$	$
Gain or (loss)		$2,993		$

Scorecard for a single taxpayer

Example: NYSUT member William is a single filer with no children. He has an AGI of $60,000. (Again, for simplicity's sake, we'll assume he takes the standard deduction, but when you crunch your own numbers, plug in your itemized deductions for 2017 and either your estimated itemized write-offs or standard deduction for 2018.)

After taking the key factors into account, William benefits from an overall tax cut of $1,645, as shown below. Of course, every situation is different, and this example considers only a few of the changes in the law.

Use the third and fourth columns in the chart below to figure your personal tax result for these key factors. Refer to the tax tables on page 3.

	William 2017	William Est. 2018	Your Taxes 2017	Your Taxes Est. 2018
AGI	$60,000	$60,000	$	$
Personal exemptions	($4,050)	N/A	$	N/A
Standard or itemized deduction	($6,350)	($12,000)	$	$
Taxable income	$49,600	$48,000	$	$
Tax	$8,145	$6,500	$	$
Gain or (loss)		$1,645		$

5. Status quo on dependent care credit and flexible savings plans

Congress debated revisions to the dependent care credit and flexible savings plans that help working parents pay child care expenses. In the end, both tax breaks survived.

Under existing law, the dependent care credit is available to taxpayers who pay for expenses related to the care of children under age 13 (or a disabled dependent of any age) while they work or look for work. The credit is worth between 20% and 35% of allowable expenses, depending on income; and allowable expenses are limited to $3,000 for care of one qualifying person, or $6,000 for the care of two or more.

As an alternative, working parents whose employers permit it can continue to set aside up to $5,000, pre-tax, in dependent care flexible savings accounts and use the money to cover child care costs. As in the past, if you pay for the care of two or more qualifying children, you can claim the child care credit on up to $1,000 that you spend beyond the $5,000 maximum run through a flex plan.

Expanded ABLE accounts

ABLE accounts allow families to put aside up to $15,000 a year to cover expenses for a beneficiary with special needs. The money can be used tax-free for most expenses, and account assets of up to $100,000 don't count toward the $2,000 limit on savings for qualifying for Supplemental Social Security Income benefits.

Under the new law, ABLE beneficiaries will be allowed to contribute their own earnings to the account once the $15,000 contribution limit for gifts by others has been reached.

The law also allows parents and others who established a 529 plan for a disabled beneficiary to roll the money into an ABLE account for that individual. However, the rollover would count toward the $15,000 contribution limit.

Before making such a rollover, though, check with the state comptroller's office, which administers NY ABLE, to learn whether the state will permit it and, if so, whether there are any tax ramifications.

6. Changes to itemized deductions

The new tax law turns tax planning on its head by eliminating or scaling back many of the deductions you can take when you itemize on your federal return. For instance:

- In the past, you could deduct **mortgage interest** paid on up to $1 million of acquisition debt (debt used to buy, build, or improve a principal or second home), as well as the up to $100,000 of home equity debt (debt secured by a first or second home and used for other purposes). For loans after December 14, 2017, the acquisition debt limit drops to $750,000, although the limit for prior loans is grandfathered. And the law abolishes the deduction of interest on home equity debt, unless the money qualifies as acquisition debt because it is used to improve a first or second home. This rule change applies to both past and future home equity borrowing.
- The deduction for **state and local taxes (SALT)** is limited to $10,000 for any combination of (1) state and local property taxes *and* (2) state and local income *or* sales taxes. The SALT changes, which may be especially costly to New York residents affected by high state taxes, take effect in 2018.
- The deduction of all **miscellaneous expenses** subject to the 2% of AGI threshold is repealed, beginning in 2018. Previously, taxpayers who itemized could deduct expenses — including unreimbursed employee expenses such as job-hunting expenses and union dues, and fees paid for investment and tax advice — to the extent the total exceeded 2% of AGI.
- The deduction for **casualty and theft losses** is repealed, beginning in 2018, except for disaster area losses. Previously, you could deduct losses above 10% of AGI (after subtracting $100 for each casualty or theft event).

Some favorite deductions preserved

The new tax law doesn't eliminate all itemized deductions. Notably, the following deductions are retained, with certain modifications.

- Charitable donations
- Medical expenses
- Investment interest expenses
- Home mortgage points
- Gambling losses (up to the amount of winnings)

Note that gambling losses are deducted on your tax return as "other" miscellaneous expenses. But they aren't subject to the elimination of that deduction under the new law, nor must they total more than 2% of your adjusted gross income.

On the plus side, the new law generally preserves and enhances the deductions for charitable donations and medical expenses.

- The annual limit for deducting **charitable donations** is increased from 50% to 60% of AGI. As in the past, any excess is carried over for up to five years.
- The threshold for deducting **medical expenses** is reduced from 10% of AGI to 7.5% of AGI. This change is retroactive to 2017, but applies only through 2018.

Example: NYSUT member Diego is a single filer with an AGI of $100,000. He has $9,500 in unreimbursed medical expenses in 2018. Previously, the 10% of AGI threshold would have blocked any deduction for medical expenses. But now he can deduct $2,000 (which is the amount of his expenses that exceed 7.5% of his AGI, or $7,500), as long as he itemizes deductions on his 2018 return.

In conjunction with these provisions, the new law suspends the "Pease rule," which reduced itemized deductions for upper-income taxpayers (kicking in for 2017 returns at $261,500 for single filers, $287,650 for heads of household, and $313,800 for joint filers).

As a cumulative result of these changes and the increase in the standard deduction, many NYSUT members and other taxpayers will no longer itemize deductions. That could significantly simplify their tax return preparation.

New York's union dues deduction is saved

Back in May 2017, Governor Andrew M. Cuomo signed into law a provision that promised to allow union members to deduct 100% of their union dues. Starting with 2018 returns (filed in spring 2019), teachers and other union members were no longer going to be squeezed at the state level by the federal rule that dues and other "miscellaneous" expenses were deductible only to the extent they exceeded 2% of adjusted gross income. (In reality, that threshold limited or completely blocked any tax benefit for most union members.) The bigger write-off allowed on New York state income tax returns was expected to be worth about $70 a year for each dues-paying taxpayer.

But then, federal tax reform happened. The sweeping tax overhaul passed in Washington in December 2017 eliminated the deduction for all miscellaneous expenses, including union dues. It also nearly doubled the federal standard deduction.

And that combination nearly killed the New York union dues deduction.

At the time, New Yorkers couldn't itemize deductions on state returns unless they also itemized on their federal return. As a result, taxpayers who started taking the supercharged federal standard deduction instead of itemizing on their federal return would forfeit the chance to claim the union dues deduction on their state returns.

The state takes action

You can still deduct all union dues on your New York tax return, even though they're no longer deductible on your federal return. How? New York now lets you itemize on your state return even if you take the standard deduction on the one you file with Uncle Sam.

Technically, New York itemized deductions are computed using the federal rules as they existed before federal tax reform (only expenses that exceed 2% of adjusted gross income are deductible). But the state allows you to add back any union dues disallowed under this threshold.

7. The 0% capital gains rate survives

The new law preserves favorable tax treatment for long-term capital gains (profits from the sale of stocks, mutual funds, and other assets held more than one year) and qualified dividends. Generally, a 15% rate applies, but lower-income taxpayers enjoy a special 0% rate for their gains while upper-income taxpayers will pay 20%.

In the past, your capital gains rate depended on which tax bracket you fell in. But with the changes in the brackets, Congress decided to set the following income thresholds instead:

- The 0% rate applies to taxpayers with taxable income under $38,600 for single filers, $51,700 for heads of household, and $77,200 for joint filers.
- The 15% rate applies to taxpayers with taxable income between $38,601 and $425,800 for single filers, $51,701 and $452,400 for heads of household, and $77,201 and $479,000 for joint filers.
- The 20% rate applies to taxpayers with taxable income above $425,800 for single filers, $452,400 for heads of household, and $479,000 for joint filers.

Example: NYSUT member Eric is a joint filer on track to have a taxable income of $75,000 for 2018, not counting any gains. Then, at year end, he realizes a long-term capital gain of $5,000 from a stock sale. Of the $5,000 gain, $2,200 ($77,200 – $75,000) is taxed at the 0% rate and the remaining $2,800 ($5,000 – $2,200) is taxed at the 15% rate.

8. Fewer taxpayers snared by the alternative minimum tax

When the alternative minimum tax (AMT) was created 50 years ago, it was intended to hit only the wealthiest taxpayers. Recently, however, it has affected millions of other taxpayers.

The AMT requires a complex calculation, taxing certain kinds of income that are ignored by the regular tax amounts and blocking certain deductions, including personal exemptions and the write-off for state and local taxes. Taxpayers are supposed to figure their tax bills under both sets of rules ... and pay the higher of the two tax rules.

The new tax law retains this formula for individuals, but it limits the number of taxpayers it applies to by significantly hiking the amounts exempted from AMT income.

- In 2018, the exemption amount is $70,300 for single filers and heads of household and $109,400 for joint filers (up from $54,300 and $84,500, respectively, in 2017).
- The threshold for phasing out exemptions for single filers and heads of household is $500,000 and $1 million for joint filers (up from $120,700 and $160,900, respectively, in 2017).

As a result of these changes, many NYSUT members and other taxpayers who were forced to pay the AMT in the past won't be liable for the AMT in 2018!

9. Tax-free alimony ... but not until 2019

A big change is coming in the way the tax law treats divorced spouses. In the past, alimony paid under a divorce decree was deductible by the ex-spouse who paid it and treated as taxable income by the recipient.

Under the new law, however, the reverse will be true for couples who divorce, starting in 2019. Payers will no longer get to deduct alimony, but the payments will be tax-free for the ex-spouse who receives them. Note that this is the same rule that has applied and will continue to apply to child support payments.

The new rules take effect for alimony agreements executed after December 31, 2018. For couples divorced before then, the old rules will continue to apply: Alimony will be deductible by the payer and treated as taxable income by the recipient.

"The new rules take effect for alimony agreements executed after December 31, 2018."

10. No more moving expense deduction

In the past, you could deduct job-related moving expenses "above the line" (whether you itemize or claim the standard deduction). This was true as long as you passed a two-part test involving distance and time.

- Distance: Your new job location had to be at least 50 miles farther from your former home than your old job location was from your former home.
- Time: You had to work full-time for at least 39 weeks during the first 12 months after you arrived in the general area of the new job.

Therefore, NYSUT members who moved from one job to another in New York often qualified to deduct reasonable costs of moving personal effects plus travel expenses.

Under the new law, the deduction for job-related moving expenses is eliminated. One exception is for military personnel.

What if your new boss reimburses you for the cost of the move? Such payments used to be tax-free. But starting in 2018, you'll have to pay tax on such reimbursements.

11. Popular educator tax break still available

Although the new tax law repeals or modifies most itemized deductions, many above-the-line tax savers are preserved, including the deduction for educator expenses. Accordingly, educators can continue to deduct up to $250 of their qualified out-of-pocket expenses.

This deduction is available to any K-12 teacher, instructor, counselor, principal, or aide who worked at least 900 hours during the school year. Qualified expenses include amounts paid or incurred for professional development courses, books, supplies, computer equipment (including related software and services), other equipment, and supplementary classroom materials.

"Educators can continue to deduct up to $250 of their qualified out-of-pocket expenses."

12. Good news on higher education expenses

The new law preserves or improves certain tax breaks for higher education.

The two current tax credits for qualified higher education expenses — the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC) — are retained. The maximum AOTC is $2,500 per student, and the maximum LLC is $2,000 per taxpayer. You can't claim both credits for the same student in the same year, and both credits phase out at higher income levels.

The above-the-line deduction (which means you don't need to itemize to claim it) for student loan interest is also retained. As under the old law, you can deduct up to $2,500 a year of interest paid on student loans. Like the AOTC and LLC, this tax break phases out at higher income levels.

Additionally, tuition waivers and discounts received by graduate students retain their tax-free status.

529 plans get a boost

The new law allows families to withdraw up to $10,000 per pupil each year from tax-advantaged 529 savings plans to cover the cost of K-12 tuition for private or religious schools. Previously, tax-free distributions from those plans were limited to college costs. But you'll want to check with the New York State Department of Taxation and Finance, or your 529 provider, to determine whether K-12 distributions would trigger any tax penalties under New York state tax law.

13. Kiddie tax gets new tax brackets

Under the old law, investment income over a modest amount earned by dependent children was generally taxed at the parents' top rate.

Starting in 2018, the parents' rate won't matter. Instead, the kiddie tax will use the rates that apply to trusts and estates, which are far different than the rates that apply to individuals. The top 37% tax rate in 2018 kicks in at $600,000 for a married couple filing a joint return, for example. That same rate kicks in at $12,500 for trusts and estates ... and now the kiddie tax too.

The kiddie tax applies to investment income over $2,100 earned by children under age 19 (or 24 if full-time students). It is often triggered by earnings in a uniform gift to minors (UGMA) or uniform transfer to minors (UTMA) account.

14. Tax relief on extra income

The law offers a new break to individuals who report extra income on a Schedule C or who own pass-through entities such as S corporations. Starting in 2018, many of these taxpayers can exclude 20% of their extra income before figuring their tax bill. In effect, that makes 20% of such income tax-free.

Example: NYSUT member Lauren is a single filer with about $45,000 in taxable income this year. But Lauren will also earn $8,000 in extra income, reported on a Schedule C, by tutoring students after school and during breaks. Using this tax break, Lauren would save $352 in taxes (20% of $8,000 is $1,600; and $1,600 * 22% is $352).

The 20% deduction does phase out for taxpayers with taxable incomes in excess of $157,500 on an individual return and $315,000 on a joint return. But at the end of the day, most individuals who are self-employed or own interests in partnerships, LLCs, or S corporations will pay less tax on their pass-through income under the new rules.

15. No more Roth IRA do-overs

As opposed to those from traditional IRAs, payouts from a Roth IRA after age 59½ are tax-free, if the Roth has been in existence at least five years. The appeal of tax-free income in retirement convinces many workers to convert traditional IRAs to Roth accounts.

But making the switch has a big up-front cost: Money converted to a Roth is taxed in the year of the switch.

In the past, those who converted had an important safety net. If the value of the account dropped soon after the conversion, you'd have to pay tax on money that had disappeared. Instead, you could change your mind, taking until October 15 of the following year to "unconvert" the account. Moving the money back to a traditional IRA — a process called recharacterizing — made the tax bill disappear.

The new law, though, ends such do-overs. Beginning in 2018, Roth conversions are irreversible. (Note, however, that if you converted an IRA to a Roth in 2017, you still have until October 15, 2018, to move the money back to a traditional IRA and avoid the tax bill.)

Estate tax dodges a bullet (again)

Efforts to kill the federal estate tax fell short. But the new law more than doubles the amount that can be left to heirs tax-free in 2018.

The exempted amount is now $11.2 million for singles (up from $5.49 million). Thus, a married couple can effectively shelter a generous $22.4 million from federal estate tax. And the tax-free amount will rise each year to keep up with inflation.

As with many changes in the law, however, this one expires at the end of 2025, when the tax-free amount will revert to earlier levels.

Note: The exemption for New York state estate taxes was previously scheduled to gradually increase. The plan was to have it match the federal estate tax exemption by January 1, 2019. It's unclear how the federal change will affect the state tax, but currently the state exemption is $5.25 million for 2018.

Knowledge is (tax-saving) power

Remember that this is only an overview of key aspects of the new tax law affecting individual taxpayers. Other provisions or special rules may apply to your situation and determine whether you emerge a "winner" or "loser" when all is said and done.

Bottom line: It's always a good idea to obtain professional assistance before taking any action based on the new tax law.