

Does The Tax Bill Eliminate The Personal Exemption? The Change Will Hit Families Most

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Congress successfully passed Republicans' proposed tax overhaul on Wednesday, and while the two parties disagree on whether or not the bill will benefit lower- and middle-class Americans, it's clear the tax cuts will be much larger for the wealthiest among us. For decades, a key piece of the tax code for non-wealthy taxpayers has been a deduction that the taxpayer can claim for herself and each additional person claimed on her return. The [GOP tax plan eliminates this personal exemption](#) to balance out other changes, however.

In 2017, [the personal exemption was \\$4,050](#) per person. That means a family of four would deduct \$16,200 from their taxable income, lowering their tax burden. This deduction was vital for lower- and middle-income Americans, since its value would decrease once a family reached a higher joint income level. The personal exemption could only be used once, however. For example, if a college student's parents claimed her as a dependent on their tax return, that student wouldn't receive the exemption when filing her own taxes.

Here's the gist of how that will change under the new tax plan: the [standard deduction will double from \\$6,500 for singles](#) and \$13,000 for married couples filing jointly to \$12,000 and \$24,000, respectively. This increase was meant to soften the blow from losing the personal exemption, but it won't make for a better deal for everyone. Because taxpayers could combine the standard deduction and personal

exemptions in 2017, families with two or more children won't benefit from this change in 2018.

While touting the tax plan in a speech last week, President Trump explained: "Under this framework, the [first \\$12,000 of income earned by a single individual](#) will be tax free, and a married couple won't pay a dime in taxes on their first \$24,000 of income." He went on to say the plan would allow married couples to "spend their money on their family," calling the changes "so much better" than the system that came before it.

However, larger families will receive a smaller deduction going forward than they have in the past. In 2017, a family of four making less than \$314,000 a year got \$16,200 in personal exemptions, combined with the \$13,000 standard deduction on joint returns. That makes for a total of \$29,000 deducted from that family's taxable income. With the elimination of the personal exemption and the increase in the standard deduction, that same family would only get a \$24,000 break in 2018. That's a difference of \$5,000, and the gap will only widen for families larger than four people.

Another factor to consider is the child tax credit, which the GOP tax plan actually increases from \$1,000 to \$2,000 per child. This credit generally [benefits middle-class families the most](#), but the increase in the bill still doesn't make up for the loss of \$4,050 per person under the personal exemption. "[Increasing the standard deduction and losing the personal exemption](#) is a trade-off that might work for single filers with no kids," Howard Gleckman, a senior fellow at the nonpartisan Tax Policy Center, told *The Los Angeles Times*. "It doesn't work at all for a single filer with two kids — they'd be worse off."

Under the GOP tax plan, a single parent claiming two kids will receive the \$12,000 standard deduction for single taxpayers. That's compared to the \$18,650 they get under current law, combining the previous standard deduction and personal exemptions for three people. On the other hand, these changes will be beneficial for single people with no kids who could only claim one personal exemption under current law. Under the GOP tax plan, in which the standard deduction doubles to \$12,000 for single filers, they'll receive about \$1,500 more in deductions.

Overall, the GOP bill cuts taxes for every income group in 2018. Most of the changes to individual income tax will only last through 2025, however. When 2027 rolls around, the bill will [raise taxes on 53 percent of households](#). Whether it's one year out or a decade out from today, those who make more than \$200,000 a year stand to benefit more than anyone else from the tax plan. The bill now heads to President Trump's desk for a signature, which he's continuously promised to provide.