Abstract: Changes lie ahead for two fundamental elements of individual tax planning: personal exemptions and the standard deduction. This brief article clarifies key amounts for both the 2017 tax year and for 2018 through 2025.

The changing face of personal exemptions and the standard deduction

Personal tax exemptions and the standard deduction have looked largely the same for quite some time. But, in light of the Tax Cuts and Jobs Act (TCJA) passed late last year, many individual taxpayers may find themselves confused by the changing face of these tax-planning elements. Here are some clarifications.

For 2017, taxpayers can claim a personal exemption of $4,050 each for themselves, their spouses and any dependents. If they choose not to itemize, they can take a standard deduction based on their filing status: $6,350 for singles and separate filers, $9,350 for head of household filers, and $12,700 for married couples filing jointly.

For 2018 through 2025, the TCJA suspends personal exemptions but roughly doubles the standard deduction amounts to $12,000 for singles and separate filers, $18,000 for heads of households, and $24,000 for joint filers. The standard deduction amounts will be adjusted for inflation beginning in 2019.

For some taxpayers, the increased standard deduction could compensate for the elimination of the exemptions, and perhaps even provide some additional tax savings. But for those with many dependents or who itemize deductions, these changes might result in a higher tax bill — depending in part on the extent to which they can benefit from family tax credits.