**The Real Deal on the 2018 Tax Changes**


The current administration is implementing changes to the U.S. tax code. The administration believes these changes will strengthen the middle class, reinvigorate business and decrease unemployment. Unfortunately, though, most of them will do little, if anything, for the state of the economy.

Here's why.

**1.) Deductible contribution changes -** Individual retirement accounts (IRA) have contribution limits that are relative to income level, some of which will now be increased. While these increased deductions are great for those who can afford them, they will have little effect on the overall economy.

**2.) Increased credits and deductions -** Standard deductions for taxpayers will see increases across the board. There will also be increased deductions and credits for children. These changes may be helpful to some, but won't help those who need it most. A family living on a minimum wage salary doesn't have much of a tax burden to begin with.

**3.) Elimination of estate tax and tax cuts for the wealthy -** This change may benefit the 1%, but it's not helpful for the distribution of income throughout the remaining 99%. A capitalist economy flourishes from the bottom up. Putting more money in the hands of the spenders is what essentially helps the economy thrive - not doing the exact opposite.

**4.) Reduced taxes on repatriated funds -** In an effort to bring work back to our shores, American companies making this move will enjoy reduced taxes. Unfortunately, though, it's a futile attempt. Many American companies have plants overseas because the cost of labor is significantly cheaper abroad.

To offset the cost of paying American workers to replace workers overseas, a tax cut would have to be enormous and fairly impossible to implement.

**5.) Simplified tax bracket system -** The current tax brackets will be consolidated to create a simpler system. These changes promise to make tax time less of a headache. It remains doubtful, though, that these changes will affect the economy in a positive way.

**6.) Tax rate changes for small businesses -** This change is being implemented with the rationale that, by giving small businesses a tax break, they will hire more workers, thus decreasing the unemployment rate. The problem, though, is that small businesses don't hire workers when they have less expenses; they hire workers when their staff cannot meet clients' demands. It is therefore unlikely that this change will affect unemployment rates.

**7.) Corporate tax rate cuts -** Similar to the tax cuts for small businesses, the theory here is that these changes will stimulate employment. But, as argued above, this isn't likely to work. Worse yet, tax cuts for bigger companies can consolidate their power, essentially harming the economy.

**8.) Fiscal responsibility -** Tax cuts need to be paid for. When they're sponsored by Uncle Sam tightening his belt, that means less government money being injected into the economy - and that's never good news.