

TAX CUTS & JOBS ACT of 2017



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Our Partners




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TCJA - H.R. 1 Passage History

- H.R. 1 passed W&M Committee 11/9/17
- House approved 11/16/17 (227-205)
- Senate approved 12/2/17 (51-49)
- Conference Committee 12/15/17
- Final Senate vote 12/20/17 (51-48)
- Final House vote 12/15/17 (227-203) and 12/20/17 (224-201) due to Byrd Rule
- Signed into law December 22, 2017
- Rep. Peter Roskam

[Clip](#)




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Individual Income Tax

- Reduce Rates
- Limit Deductions
- Retain AMT / Repeal ACA Mandate
- Expand 529 / Expand Retirement
- Minimize Estate & Gift Tax
- Changes and Planning



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Business Income Tax

- Partnerships, S Corporations, Sch C/F
- C Corporations
- Retirement
- Deductions
- Credits
- International
- Partnerships
- Miscellaneous



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INDIVIDUAL PROVISIONS

(Most effective 1/1/2018 – 12/31/2025)



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ROI BUSINESS SERVICES, LLC		Married Filing Joint (MFJ)	
Rate	2017	Rate	2018
10%	\$0-\$18,650	10%	\$0-\$19,050
15%	\$18,651-\$75,900	12%	\$19,050-\$77,400
25%	\$75,901-\$153,100	22%	\$77,401-\$165,000
28%	\$153,101-\$233,350	24%	\$165,001-\$315,000
33%	\$233,350-\$416,700	32%	\$315,001-\$400,000
35%	\$416,701-\$470,700	35%	\$400,001-\$600,000
39.6%	Over \$470,700	37%	Over \$600,000

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ROI BUSINESS SERVICES, LLC		Head of Household (HOH)	
Rate	2017	Rate	2018
10%	\$0-\$13,350	10%	\$0-\$13,600
15%	\$13,351-\$50,800	12%	\$13,600-\$51,800
25%	\$50,801-\$131,200	22%	\$51,801-\$82,500
28%	\$131,201-\$212,500	24%	\$82,501-\$157,500
33%	\$212,501-\$416,700	32%	\$157,501-\$200,000
35%	\$416,701-\$444,550	35%	\$200,001-\$500,000
39.6%	Over \$444,550	37%	Over \$500,000

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ROI BUSINESS SERVICES, LLC		Single	
Rate	2017	Rate	2018
10%	\$0-\$9,325	10%	\$0-\$9,525
15%	\$9,326-\$37,950	12%	\$9,526-\$38,700
25%	\$37,951-\$91,900	22%	\$38,701-\$82,500
28%	\$91,901-\$191,650	24%	\$82,501-\$157,500
33%	\$191,650-\$416,700	32%	\$157,501-\$200,000
35%	\$416,701-\$418,400	35%	\$200,001-\$500,000
39.6%	Over \$418,400	37%	Over \$500,000



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ROI BUSINESS SERVICES, LLC		Examples				
<ul style="list-style-type: none"> Examples based on same taxable income 						
Income	2017 MFJ	2018 MFJ	2017 HOH	2018 HOH	2017 Single	2018 Single
\$75,000	\$10,318	\$8,619	\$13,003	\$11,048	\$14,489	\$12,440
\$150,000	\$28,978	\$24,879	\$32,317	\$28,898	\$34,982	\$30,290
\$300,000	\$74,217	\$60,579	\$78,692	\$79,298	\$82,399	\$80,690
\$500,000	\$143,231	\$126,379	\$148,911	\$149,298	\$153,819	\$150,690
\$1,000,000	\$341,231	\$309,379	\$346,911	\$334,298	\$351,819	\$335,690

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ROI BUSINESS SERVICES, LLC		Capital Gains			
Rates		MFJ	HOH	MFS	Single
0%	2017	\$0-\$75,900	\$0-\$50,800	\$0-\$37,950	\$0-\$37,950
	2018	\$0-\$77,200	\$0-\$51,700	\$0-\$38,600	\$0-\$38,600
15%	2017	\$75,901-\$470,700	\$50,801-\$235,350	\$37,951-\$235,350	\$37,951-\$418,400
	2018	\$77,201-\$479,000	\$51,701-\$452,400	\$38,601-\$239,500	\$38,601-\$425,800
20%	2017	>\$470,700	>\$235,350	>\$235,350	>\$418,400
	2018	>\$479,000	>\$452,400	>\$239,500	>\$425,800

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ROI BUSINESS SERVICES, LLC		Exemptions and Credit	
<ul style="list-style-type: none"> • Personal exemptions suspended • Child tax credit \$2,000 (up from \$1,000) per child • Family tax credit \$500 for other dependents 			
			
<ul style="list-style-type: none"> • Phaseout – <ul style="list-style-type: none"> – MFJ (\$400,000-\$440,000) up from \$110,000 – Others (\$200,000-\$240,000) up from \$75,000 			

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Standard Deduction

- Married Joint \$24,000 from \$12,700
- HOH \$18,000 from \$9,350
- Single/MFS \$12,000 from \$6,350
- Less itemizers in 2018?

Category	2017	2018
Married Joint	\$12,700	\$24,000
HOH	\$9,350	\$18,000
Single/MFS	\$6,350	\$12,000

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Itemized Deductions

- Itemized Deduction phaseout eliminated
- Charitable Contributions
 - 60% of AGI vs 50% of AGI
 - RMD direct contributions
 - Payments for rights on athletic seats N/D

- Medical Deductions – 7.5% of AGI 2017 (retroactive) / 2018, 10% of AGI thereafter

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Itemized Deductions (Cont'd)


- Taxes – State and Local income, property, and sales tax, foreign income tax limited to \$10,000 (\$5,000 MFS)
- Foreign real estate tax non deductible
- Prepayment of Income tax not deductible
- Business and investment (Sch C/E/F) deductible

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Itemized Deductions (Cont'd)

- Mortgage Interest
- Home acquisition debt (Buy/build/improve) for primary or second residence entered into after 12/15/17 limited to \$750,000
- Home equity debt not allowed >12/31/17
- Grandfathered debt to the extent not increased



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Itemized Deductions (Cont'd)

- **2% Miscellaneous Itemized Deductions no longer allowed**
 - *Unreimbursed employee expenses*
 - *Investment advisor fees*
 - *Tax preparation*
 - *Union dues*
 - *Legal fees*
- **Reduce wages to allow reimbursements**
- **No change to investment interest expense**

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Miscellaneous Items

- **Exclusions from income now taxable**
 - *Moving expense reimbursement*
 - *Bicycle commuting*
- **Moving expenses no longer deductible**
- **Casualty losses suspended**
- **Alimony suspended**
- **Professional gamblers similar to non professionals**

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AMT & Add'l Tax


- **Alternative Minimum Tax (AMT)**
 - *Exemption increased*
 - MFJ \$84,500 to \$109,400
 - Single \$54,300 to \$70,300
 - *Phaseout increased*
 - MFJ \$160,900 to \$1,000,000
 - Single \$120,700 to \$500,000
- **Individual mandate penalty \$695 or 2.5% of income does not apply to months after 12/31/18**

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529 Plans / Retirement

- **529 withdrawals (types of plans)**
 - \$10,000 per student allowed for K-12 public, private or religious school tuition
 - Rollover excess within 60 days (not new law)
- **Retirement**
 - Recharacterizations disallowed
 - 401k repayment allowed before filing




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Estate & Gift

- Estate, GST and gift tax lifetime exclusion increased to \$11.2M per individual (portable)
- After 2025, exclusion cut in half
- Planning still necessary (Intestate)
 - Change in size
 - Change in situation
 - Titling new property
 - Review beneficiaries
 - Succession plan for business
 - Review documents with attorney



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Trust Tax Rates

Rate	2017	Rate	2018
15%	\$0-\$2,550	10%	\$0-\$2,550
25%	\$2,551-\$6,000	24%	\$2,551-\$9,150
28%	\$6,001-\$9,150	35%	\$9,151-\$12,500
33%	\$9,151-\$12,500	37%	Over \$12,500
39.6%	Over \$12,500		

Kiddie tax on unearned income of children under age 19 or under Age 24 and a full time student – taxed at trust rates

Gift tax exclusion \$15k/person/year – 529 planning

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Planning

- Residential energy credit not allowed
- IRS Scammers – debt collectors
- PTPs/inherited stock – sales cause problems
- New §83(i) election similar to §83(b)
- FICA limit \$128,400 for 2018
- Parsonage allowance taxable

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Planning (Cont'd)

- Home securing mortgage
- Mileage rates - Odometer
- >\$250 contributions “No goods or services received”
- Itemize non-cash contributions
- Tuition/Child tax credit information
- Rentals ≤ 14 days are tax free

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BUSINESS PROVISIONS

(Different effective dates – most permanent)



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Flow Through Deduction

- Deduction for lesser of
 - 20% of Combined Qualified Business Income (CQBI), or
 - 20% of (excess of Taxable Income over net capital gains)
- CQBI = 20% Qual REIT Div + 20% Qual PTP + lesser of
 - 20% of QBI
 - Greater of
 - 50% of W-2 wages paid, or
 - 25% W-2 wages paid plus 2.5% unadjusted basis of qualified property

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Flow Through Deduction (Cont'd)

- Does not include Specified Businesses (Spec Bus) of:
 - Health, Law, Accounting
 - Actuarial science, Performing arts, Consulting
 - Athletics, Financial services
 - Brokerage services
 - Investing
 - Investment Management
 - Trading/Dealing in Securities
 - Any business principal asset is reputation/skill of owner/EE
- Does include engineering and architecture

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Flow Through Deduction (Cont'd)

- Exception for small Spec Bus / W-2 Limits
 - MFJ < \$315,000
 - Others < \$157,500
- Phaseout for Spec Bus / W-2 limit phaseout
 - MFJ \$315,000-\$415,000
 - Others \$157,500-\$207,500
- Not deductible for AGI

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Flow Through Deduction (Cont'd)

- Example 1
- Specified Business Sole proprietor who is Single
 - Taxable Income before 199A of \$187,500
 - Business Income included was \$150,000
 - Wages deducted in business \$100,000 in determining the \$150k

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Flow Through Deduction (Cont'd)

- Deduction for lesser of
 - 20% of Combined Qualified Business Income (CQBI), or
 - 20% of (excess of Taxable Income over net capital gains)
- CQBI = 20% Qual REIT Div + 20% Qual PTP + lesser of
 - 20% of QBI
 - Greater of
 - 50% of W-2 wages paid, or
 - 25% W-2 wages paid plus 2.5% unadjusted basis of qualified property

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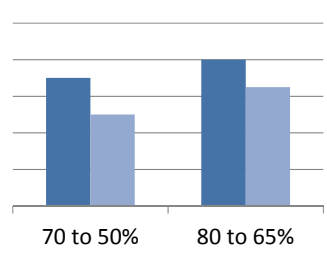
ROI BUSINESS SERVICES, LLC **Flow Through Deduction (Cont'd)**

- Example 1 computation
- Lesser of
 - 20% of CQBI - \$12,000
 - 20% of Taxable Income over Cap Gain \$187,500
x 20% = \$37,500
- CQBI = 20% REIT+ 20%PTP+ lesser of:
 - Phaseout (187,500-157,500 threshold) = 30,000
 - Divide by 50,000 = 60%, (1-60%) = 40%
 - 20% QBI 40% x 150,000 = 60,000 x .2 = \$12k
 - 50% wages paid 40% x 100,000 = 40,000 x .5 = \$20k

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ROI BUSINESS SERVICES, LLC **C Corporations**

- Flat tax of 21% (including PSC entities)
- AMT does not apply
- Reasonable compensation must be paid
- Dividends received deduction reduced
 - 80% to 65%
 - 70% to 50%




Scenario	Original DRD	Reduced DRD
70 to 50%	70%	50%
80 to 65%	80%	65%

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Retirement

- Consider cash balance pension plan
- Limit up \$1k to \$55k for profit sharing
- Limit up \$5k to \$220k for defined benefit
- 401k deferral up to \$18,500
- Catch up and IRA limits remain same




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Deductions

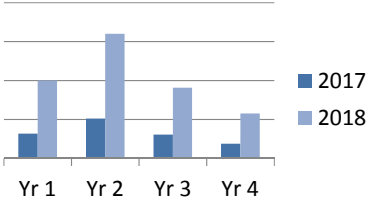
- §179 increased \$500k to \$1MM
 - Phaseout increased \$2MM to \$2.5MM
 - Qualified improvement property, roof, HVAC, fire protection and alarm and security systems
- 100% bonus depreciation for assets placed in service after 9/27/17-12/31/22.
 - Reduced 20% every year after 2022
 - Includes used property

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Deductions (Cont'd)

- Listed Vehicle Depreciation (lesser of normal depreciation or following)

	2017	2018	
– Yr 1	3,160	10,000	
– Yr 2	5,100	16,000	
– Yr 3	3,050	9,060	
– Yr 4	1,875	5,760	

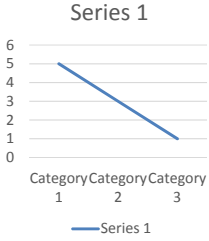
every year after

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Deductions (Cont'd)

- Current year loss limitation (Excess Business Losses (EBL))
 - \$500,000 MFJ
 - \$250,000 Other
- Excess carried over as an NOL
- Net all S corp and Pship losses at individual level to determine EBL



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Deductions (Cont'd)

- Net operating loss
 - Limited to 80% of taxable income
 - Carried forward indefinitely
 - No carryback unless farming/insurance
- Ordinary income for patents, invention, model, design, or secret formula

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Deductions (Cont'd)

- Method of accounting (\$25MM threshold)
 - Cash method
 - Inventory method
 - 263A
 - CCM
- Like-kind exchanges real estate only
- Cell phones / home internet

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Deductions (Cont'd)

- **Interest expense**
 - *Businesses >\$25MM*
 - *30% of Adjusted EBITDA*
 - *Determined at partner/shareholder level*
 - *Excess interest carryforward indefinitely*
 - *Does not include R/E trades/business*
- **Domestic Production Activities Deduction**
- **Research & Development**

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Deductions (Cont'd)

- **Entertainment expenses**
 - *Entertainment, amusement, recreation 100% disallowed (athletic/musical tickets, golf, other entertainment)*
 - *Qualified transportation fringe 100% disallowed (except for safety)*
 - *50% deduction for meals provided for the convenience of the employer through 2025, then 0%*
- **Cash, gift cards, gift coupons, sport tickets, non deductible to employer**



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Credits


- **Family / medical leave credit**
 - *12.5% of wages paid up to 25%*
 - *Increase .25% for each % over 50% of normal wages paid*
 - *Maximum period is 12 weeks*
 - *Policy required*
 - *Non-discrimination rules apply*
- **Qualified Opportunity Zone**

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International

- **Deemed repatriation of E&P for 10% owned Foreign Corporation**
 - *15.5% for cash/cash equivalents*
 - *8% for balance of E&P*
 - *Pay tax in 8 installments*
- **100% dividends received deduction from 10% owned foreign corporations**
- **Signature authority**




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Partnerships

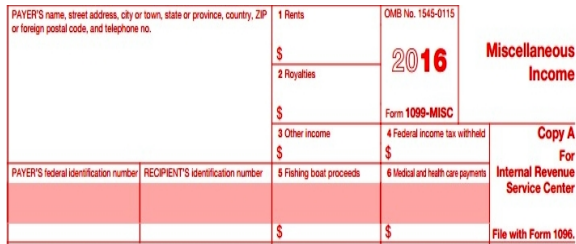
- No technical terminations for >50% change in ownership
- Partnership Representative v Tax Matters Partner (1/1/18 audit rules)
 - Opt out election, Push out election
 - Recourse for incoming owner
 - Buy/Sell partnership interest
 - SALT impact
- Self employment planning
- §704(b) vs basis

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Miscellaneous

- 1099s / Personal Use
- Repair accounts
- S corp health
- HRA – can reimburse premiums
- Health Care Credit




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Miscellaneous (Cont'd)

- IRS Audit List
- Payroll ID theft
- Cash transactions >\$10k
- ACA – IRS sending [226-J Letter](#)



Department of the Treasury
Internal Revenue Service

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Q & A

QUESTIONS

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Thank you for attending!

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