BBSC
Certified Public Accountants

December 27, 2017

Dear BBSC Clients,

As we close 2017, Congress and the President have signed legislation that affects every taxpayer in the country. We want to take a moment to highlight some of the impacts, especially those that we may have some control over by prepaying expenses in 2017 or delaying income into 2018. At last count, the legislation totaled 1,031 pages and with countless pages of regulations and interpretations to be written, this is by no means all encompassing. As we learn more about the legislation we will be sure to keep you aware of how it will affect you going forward.

1. New Tax Rates – The new tax rates represent the same number of brackets (7) but marginal rates have been reduced by 1%-3% and new brackets have been expanded, generally resulting in reduced taxes based on taxable income.

2. Increased Standard Deduction – In 2018 the standard deduction for an individual taxpayer will be $12,000; a Married Filing Joint Taxpayer will be $24,000, these are nearly double 2017's deductions

3. Personal Exemptions – Personal exemptions, generally $4,050 per person in 2017 have been eliminated for 2018.

4. Local and State taxes – Local and state taxes, generally Schedule A Line 9 in 2017, beginning in 2018 will be limited to $10,000. This includes State income taxes, property taxes, excise taxes, etc.

    a. As a planning note, it may be of some benefit to prepay real estate taxes before December 31, 2017. Those that it may make sense for generally have the following attributes:
        i. Schedule A, Line 9 is greater than $10,000
        ii. Form 1040, Line 45, Alternative Minimum Tax is $0
    b. Also, if you generally are required to make estimated tax payments, prepaying the 4th quarter State payment before December 31, 2017 may be beneficial, based on the same standards listed above.

5. 2% Itemized Deductions – The following deductions have been eliminated beginning in 2018.
    a. Unreimbursed Business Expenses
        i. Mileage, Tolls, Meals, Education Materials, Conferences, etc.
        ii. Salesman, Pilots, etc. could be hit significantly by this
    b. Investments Fees
    c. Tax Preparation Fees
    d. Safe Deposit Boxes, Union Dues, Etc.

6. Alimony – Beginning for divorce decrees entered into in 2019 or later, alimony paid will no longer be deductible and alimony received will no longer be taxable.

7. Roth IRA Re-characterization – Beginning in 2018 no after-the-fact re-characterizations will be allowed.

8. Section 179 Depreciation & Bonus Depreciation – Both have been greatly expanded to assist in business investment, including some bonus depreciation provisions effective September 28, 2017.

9. C-Corporation – Beginning in 2018, the maximum tax rate for a C-Corporation will be 21%. This does not include Personal Service Corporations, i.e. accountants, lawyers, doctors, dentists, etc.

10. Pass-Thru Entities – Beginning in 2018 a new, and yet to be determined deduction, will allow up to a 20% deduction against income from pass-thru entities. The entities include multi-member LLC's and S-Corporations. This could have a significant effect on sole-proprietorships and their existence. This deduction is far from complete and contains many caveats based on industry type and taxable income levels.

11. Estate Tax – The Estate Tax exclusion has been doubled to $10 million per individual, or effectively $20 million for a couple.

This is a quick overview of some of the larger pieces of the legislation. As we become more aware of exactly what's in the legislation and how it will affect you we will share it with you on a client by client basis as it affects your personal tax status.

If you have any questions regarding the above please do not hesitate to call our office.

Very truly yours,

BBSC, CPAs

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