



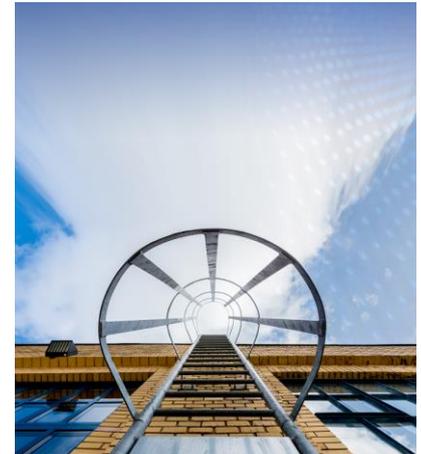
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Many changes!

- Generally effective after 12/31/17
- Most changes are temporary
 - Sunset after 2025
- Guidance is needed
- Future legislation?
- State conformity to changes?

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Hurricane Harvey – Casualty Loss

- If you are in a disaster area, the casualty loss rules have been significantly loosened to allow Harvey victims to get a much larger deduction
- Changes the normal rules
 - the rule that the loss must be reduced by 10% of adjusted gross income is eliminated
 - Can be taken regardless of whether you itemize
 - Can amend your 2016 tax return for the 2017 loss
 - The \$100 reduction per loss is raised to \$500
- Going forward, you must be in a federally declared disaster area



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The basics

- Still seven tax brackets
 - 10%, 12%, 22%, 24%, 32%, 35%, 37%
- No more dependent exemption
- Higher child tax credit (\$2,000)
 - New \$500 non-child dependent credit
- Increase in standard deduction
- Individual AMT not repealed
 - *But* exemption amounts have increased



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Dividend and capital gains rates unchanged

- The top tax bracket for qualified dividends and capital gains is 20% (23.8% if the net investment income tax applies).

Here's the breakdown:



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Itemized deductions changes

- Repeal of the overall limitation on itemized deductions
- Medical deduction threshold is 7.5% for 2017 & 2018
 - Reverts to 10% starting in 2019
- Mortgage interest limited to \$750k of debt
 - Debt prior to 12/15/17 is grandfathered
- Home equity interest no longer deductible
- State and local tax deduction is limited to \$10k (\$5k if MFS)
- Misc. deductions subject to 2% threshold no longer deductible

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Misc. itemized deductions subject to 2% AGI

- Unreimbursed employee expenses
- Tax prep fees
- Hobby expenses
- Investment fees/expenses
- Legal fees related to producing income
- Safe deposit fee

...are no longer deductible

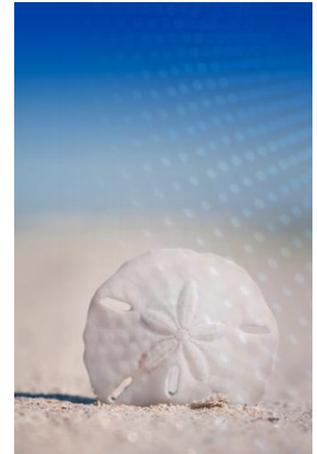
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Expired provisions (at the end of 2016)

- Exclusion of discharge of indebtedness on principal residence
- Deduction of mortgage insurance premiums
- Above-the-line deduction for qualified tuition and fees
- Credits for qualified energy property

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20% pass-through deduction

- 20% of qualified business income
- Qualified business income definitions
 - Qualified trade/business income
 - Not a specified trade/business
 - Trade/business involving performance of services
 - Does not include investment income
 - Does not include reasonable compensation paid from S corporation or guaranteed payments paid to a partner
 - Phase-out limitation

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Affordable Care Act impact

- Penalty to maintain insurance coverage (individual mandate) is repealed for 2019 and forward
- **HOWEVER**, still in effect for 2017 and 2018
- 2017 penalty:
 - Higher of 2.5% of yearly household income, **or**
 - \$695 per person (\$347.50 per child under 18)

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Affects on the net investment income tax (NIIT)

- No change to NIIT itself, but.....
- Investment fees and state income tax (amount attributable to investment income) reduce investment income to lower amount subject to NIIT
- Since investment fees are no longer deductible and state income tax is limited to \$10k, this will likely cause an increase in the amount subject to NIIT

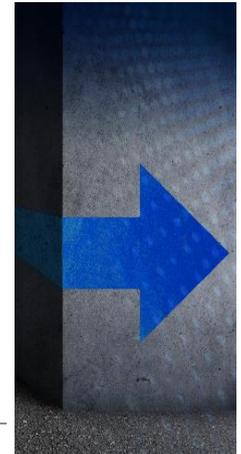
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Alternative minimum tax (AMT) changes

- Alternative tax system that parallels the regular federal tax (with different rates and rules for deductions)
- Increase in exemption amount
- Due to limit on state/local tax deduction and repeal of miscellaneous deductions, impact should be less

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Estate and gift taxes changes

- 2018 estate tax exemption: \$11.2 million
- 2018 gift tax annual exclusion: \$15,000
- Estate planning is **more than minimizing estate taxes.**
 - Updating documents
 - Repurposing insurance
 - Privacy
 - Asset protection

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Education tax benefit changes

- Sec 529 plan distributions for private school tuition
- Sec 529 plan assets can transfer to ABLE accounts for family members
- Student loan forgiveness will not be taxable income to student upon death/total disability

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Other individual changes to note

- Casualty losses: only from federally-declared disasters
- Alimony: deduction/inclusion repealed for divorces executed after 12/31/18
- Moving expenses deduction repealed
- Kiddie tax now at trusts/estate tax rates

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Charitable contribution changes

- AGI limitation increased to 60% for cash contributions (from 50%)
- No 80% deduction for right to purchase athletic tickets
- Exception to contemporaneous written acknowledgement requirement is repealed (must be obtained now for any contribution of \$250 or more)

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State and local tax issues

- Total deduction limit of \$10k (\$5k if MFS)
 - Combination of income/sales and state/local property taxes
- Exceptions
 - Tax imposed at entity level
 - Property taxes for residential rental property/business property
- Prepayment of 2018 state income taxes in 2017
- Prepayment of 2018 real estate taxes in 2017

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Depreciation changes

- Additional first year/bonus depreciation- 100% for property acquired after 9/27/17
- Phase down schedule for years after 2022
- Now allowed for new and used property
- Qualified improvement property no longer qualifies
- Luxury auto limits – (note that additional \$8k depreciation has been extended for 2017)
- Increases to Sec. 179 (\$1M and threshold \$2.5M)
- SUV limitation remains at \$25,000
- Limits are indexed for inflation
- Expansion for certain real property (roofs, HVAC)

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Corporate rate changes

- Flat rate of 21%
- Effective for years beginning after 12/31/17
- Fiscal year corporations should apply Sec. 15
- Personal service corporations taxed at same rate (no more surtax)
- Corporate AMT has been repealed
- Dividends received deduction reduced

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Changes to fringe benefits/entertainment expense

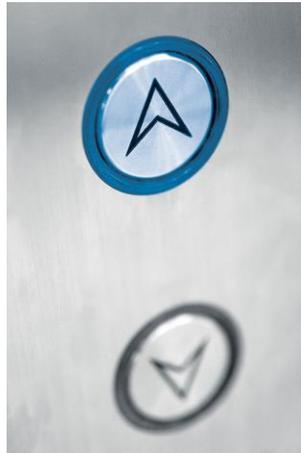
- Repeal of business entertainment expenses
- Repeal of deduction for qualified transportation fringe benefits
- Repeal of exclusion for bicycle commuting reimbursement
- Repeal of exclusion for employee reimbursed moving expenses
- Other changes to employee fringe benefits

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Net operating loss provisions

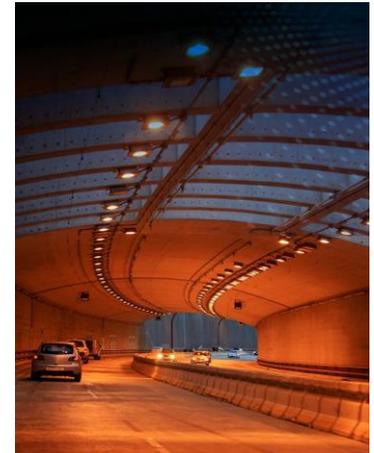
- No longer allowed to carryback NOLs
- Carried forward indefinitely
- 80% of taxable income may be reduced by NOL



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Other changes to note

- New limits on executive compensation deduction
- Changes for Sec. 1031 exchanges
- Changes to carried interest rule
- Expenses for employer operating eating facilities is now 50% (rather than fully deductible)
- Lobbying costs no longer deductible
- New credit for paid family and medical leave



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 CPA

Thank you