

Navigating The New Tax Law...The Basics

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Individuals

History of U.S. Tax Rates

Year	First Bracket	Top Bracket	Year	First Bracket	Top Bracket	Year	First Bracket	Top Bracket
1913-1915	1.00%	7.00%	1936-1939	4.00%	79.00%	1968	14.00%	75.25%
1916	2.00%	15.00%	1940	4.40%	81.10%	1969	14.00%	77.00%
1917	2.00%	67.00%	1941	10.00%	81.00%	1970	14.00%	71.75%
1918	6.00%	73.00%	1942-1943	19.00%	88.00%	1971-1981	14.00%	70.00%
1919-1920	4.00%	73.00%	1944-1945	23.00%	94.00%	1982-1986	12.00%	50.00%
1921	4.00%	73.00%	1946-1947	19.00%	86.45%	1987	11.00%	38.50%
1922	4.00%	56.00%	1948-1949	16.60%	82.13%	1988-1990	15.00%	33.00%
1923	3.00%	56.00%	1950	17.40%	84.36%	1991	15.00%	31.00%
1924	1.50%	46.00%	1951	20.40%	91.00%	1992-2000	15.00%	39.60%
1925-1928	1.50%	25.00%	1952-1953	22.20%	92.00%	2001	15.00%	39.10%
1929	1.50%	24.00%	1954-1963	20.00%	91.00%	2002	10.00%	38.60%
1930-1931	1.13%	25.00%	1964	16.00%	77.00%	2003-2012	10.00%	35.00%
1932-1933	4.00%	63.00%	1965	14.00%	70.00%	2013-2017	10.00%	39.60%
1934-1935	4.00%	63.00%	1966-1967	14.00%	70.00%	2018	10.00%	37.00%

Key Individual Changes

- 1. Tax rates: 7 brackets retained; Overall rate decreases (see chart)**
- 2. Standard deduction: nearly doubled**
- 3. Personal exemptions: Repealed**
4. AMT: Exemption increased; Exemption phaseout threshold substantially increased
- 5. SALT Deduction: Limited to \$10K (real estate and income taxes)**
6. Mortgage Interest: Limited to \$750k acquisition debt; HELOC interest repealed

Key Individual Changes (con't)

7. Pease Itemized Deduction Limitation: Repealed
- 8. Child Credit: doubled and new non-child dependent credit added**
9. Education: retained all education credits and expanded use of 529 funds to elementary and high schools
10. Kiddie Tax: applicable unearned income now taxed at trust rates vs parents
- 11. Alimony deduction: Repealed after 2018**

Comparison of 2018 MFJ Rates

Income Range	Planned	New	Change	Long-term Cap Gains & Dividends
\$1 to \$19,050	10%	10%	0.0%	Taxpayers in the lower tax brackets (10 and 12 percent), the rate remains 0 percent; however, the threshold amount is \$77,200 for married filing jointly.
\$19,051 to \$77,400	15%	12%	-3.0%	
\$77,401 to \$156,150	25%	22%	-3.0%	Taxpayers in the four middle tax brackets, 22, 24, 32, and 35 percent, the rate is 15 percent.; however the threshold amount is \$479,000 for married filing jointly
\$156,151 to \$165,000	28%	22%	-6.0%	
\$165,001 to \$237,950	28%	24%	-4.0%	
\$237,951 to \$315,000	33%	24%	-9.0%	
\$315,001 to \$400,000	33%	32%	-1.0%	
\$400,001 to \$424,950	33%	35%	2.0%	
\$424,951 to \$480,050	35%	35%	0.0%	Taxpayers with income at or above \$479,000 for married filing jointly, the rate is capped at 20 percent.
\$480,051 to \$600,000	39.6%	35%	-4.6%	
over \$600,000	39.6%	37%	-2.6%	

Individual Deductions

Deduction	Old Tax Law	New Tax Law
Standard Deduction	Single: \$6,350 MFJ: \$12,700	Single: \$12,000 MFJ: \$24,000
Personal Exemption	\$4,150 per person (high income phase out)	Repealed
State & Local Taxes (SALT)	State Income Tax - full itemized deduction City Income Tax - full itemized deduction Real Estate Tax -full itemized deduction	Total SALT deduction capped at \$10K
Mortgage/HELOC Interest	Mortgage: Up to \$1M in new mortgage debt (2 homes) HELOC: Up to \$100K HELOC debt	Mortgage: Up to \$750K in new mortgage debt (2 homes) HELOC: Repealed
Charitable Contrib Limit (cash)	50%	60%
Misc Itemized Deductions	Job Expenses: subject to 2% AGI limitation Investment Expenses - subject to 2% AGI limitation Professional Fees - subject to 2% AGI limitation Other - subject to 2% AGI limitation	Repealed Repealed Repealed Repealed
Pease Limitation	Reduction in total itemized deductions (high income)	Repealed
Alt Min Tax (AMT) Exemption	Single: \$54,300 MFJ: \$89,500	Single: \$70,300 MFJ: \$109,400
AMT Phaseout Threshold	Single: \$120,700 MFJ: \$160,900	Single: \$500,000 MFJ: \$1,000,000

Estate & Gift

	Old Tax Law	New Tax Law
Estate tax exemption	Single: \$5.49M Married: \$10.98M	Single: \$10.98M Married: \$21.96M
Basis step-up	Basis step up at date of death	Basis step up at date of death (no change)
2018 Gift Annual Exclusion (per person)	\$14,000	\$15,000

Businesses

Key Business Changes

- **Lower corporate rate - 21% (flat rate) on all corporations, including PCs**
- Corporate AMT repealed
- **New 20% Qualified Business Income Deduction (QBID) = Lower tax liability for pass-through businesses**
- Domestic Production Activities Deduction (DPAD) repealed
- Increased expensing of capital items

Key Business Changes (con't)

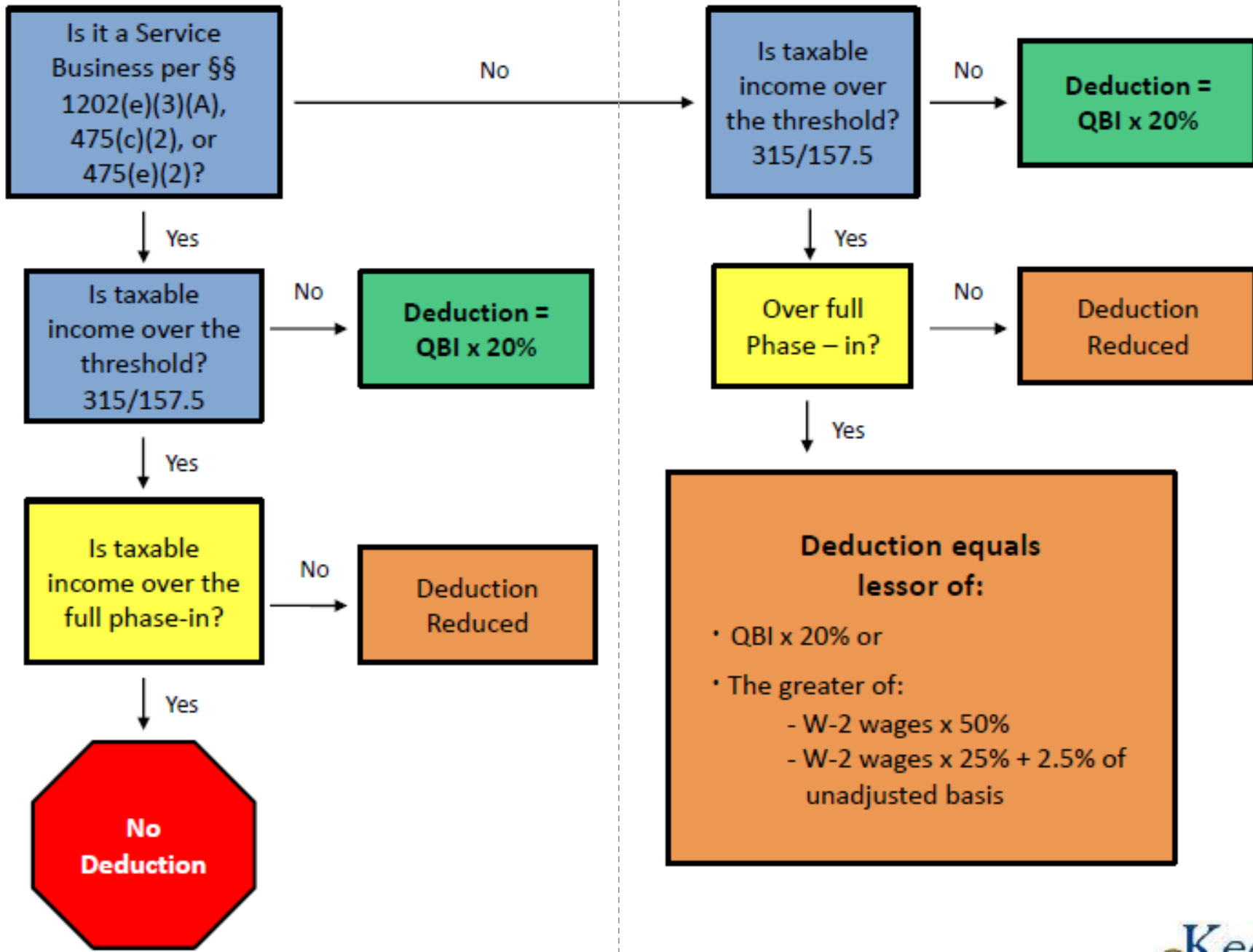
- Business interest deduction limited
- **Business entertainment expenses no longer deductible**
- Cash basis of accounting now available to businesses with revenue up to \$25M
- Active business losses limited
- NOL deduction modified
- Like-kind exchanges limited to real property

Corporate Tax Rate Comparison

Income Range	Old	New	Change
\$1 to \$50,000	15%	21%	6.0%
\$50,001 to \$75,000	25%	21%	-4.0%
\$75,001 to \$10,000,000	34%	21%	-13.0%
Over \$10,000,000	35%	21%	-14.0%

Noteworthy

- Apple Inc. (AAPL) announced it would pay a one-time tax of \$38 billion on its overseas cash holdings and ramp up spending in the U.S., as it seeks to emphasize its contributions to the American economy after years of taking criticism for outsourcing manufacturing to China.
- Apple said it would invest \$30 billion in capital spending in the U.S. over five years that would create more than 20,000 jobs. The total includes a new campus, which initially will house technical support for customers, and \$10 billion toward data centers across the country. It also will expand from \$1 billion to \$5 billion a fund it established last year for investing in advanced manufacturing in the U.S.
- All told, Apple said it would directly contribute \$350 billion to the U.S. economy over the next five years, with the bulk—about \$55 billion this year, for example—coming from ongoing spending on parts and services from U.S. suppliers. That number also includes the federal tax payment and capital spending.



Service Biz

Non-service Biz

Business Meals & Entertainment

- Business Meals
 - deduction remains at 50% for food and beverage expenses associated with operating a trade or business.
 - For tax years 2018 through 2025, the 50% deduction expands to include expenses incurred for meals furnished to employees for the convenience of the employer.
 - Amounts after 2025 are not deductible.
 - Employee meals while on business travel also remain deductible at 50%.
- **Business Entertainment: No longer deductible**
 - **Examples include sports tickets, golf outings, and related venues!**