

2017 Tax Update



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"HEALTH CARE WAS COMPLICATED, BUT THIS WILL BE A WALK IN THE PARK!"



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TAX CUTS & JOBS ACT

MORE *jobs* | FAIRER *taxes* | BIGGER *paychecks*



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Individual Income Tax Rates



2018

NEW TOP OF EACH BRACKET

	S	MFJ/QW	MFS	HOH	T&E
10%	9,525	19,050	9,525	13,600	2,550
12%	38,700	77,400	38,700	51,800	-
22%	82,500	165,000	82,500	82,500	-
24%	157,500	315,000	157,500	157,500	9,150
32%	200,000	400,000	200,000	200,000	-
35%	500,000	600,000	300,000	500,000	12,500
37%					

NEW TOP OF EACH CAPITAL GAINS BRACKET

	S	MFJ/QW	MFS	HOH	T&E
0%	45,000	77,200	38,600	51,700	2,600
15%	425,800	479,000	239,500	452,400	12,700
20%					

"Kiddie tax" applies ordinary and capital gains rates applicable to trusts & estates to the net unearned income of a child

Comparison of MFJ Rates



Taxable Income Range	Scheduled 2018 Rate	TCJA
\$1 to \$19,050	10%	10%
\$19,051 to \$77,400	15%	12%
\$77,401 to \$156,150	25%	22%
\$156,151 to \$165,000	28%	22%
\$165,001 to \$237,950	28%	24%
\$237,951 to \$315,000	33%	24%
\$315,001 to \$400,000	33%	32%
\$400,001 to \$424,950	33%	35%
\$424,951 to \$480,050	35%	35%
\$480,051 to \$600,000	39.60%	35%

Comparison of Single Rates



Taxable Income Range	Scheduled 2018 Rate	TCJA
\$1 to \$9,325	10%	10%
\$9,325 to \$37,950	15%	12%
\$37,951 to \$38,700	25%	12%
\$38,701 to \$82,500	25%	22%
\$82,501 to \$91,900	25%	24%
\$91,901 to \$157,500	28%	24%
\$157,501 to \$191,650	28%	32%
\$191,651 to \$200,000	33%	32%
\$200,001 to \$416,700	33%	35%
\$416,701 to \$418,400	35%	35%
\$418,401 to \$500,000	39.60%	35%

SIMPLE, FAIR "POSTCARD" TAX FILING

1	Wage and compensation income	1	<input type="text"/>
2	Add 1/2 of investment income	2	<input type="text"/>
3	Subtract contributions to specified savings plans	3	<input type="text"/>
4	Subtract standard deduction OR	4	<input type="text"/>
5	Subtract mortgage interest deduction	5	<input type="text"/>
6	Subtract charitable contribution deduction	6	<input type="text"/>
7	Taxable income	7	<input type="text"/>
8	Preliminary tax (from tax table)	8	<input type="text"/>
9	Subtract child credit	9	<input type="text"/>
10	Subtract earned income credit	10	<input type="text"/>
11	Subtract higher education credit	11	<input type="text"/>
12	Total tax	12	<input type="text"/>
13	Subtract taxes withheld	13	<input type="text"/>
14	Refund due / taxes owed	14	<input type="text"/>

SPEAK UP NOW! VISIT: WAYSANDMEANS.HOUSE.GOV/TAXREFORM



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New Standard Deduction



2017

STANDARD DEDUCTION

S	MFJ/QW	MFS	HOH
6,350	12,700	6,350	9,350

2018

STANDARD DEDUCTION

S	MFJ/QW	MFS	HOH
12,000	24,000	12,000	18,000

** Personal exemptions eliminated for 2018 until 2025

Child & Family Tax Credit



	2017	2018
Credit for Children	1,000	2,000
Credit for other Family Members	-	500
Phase-out Begins	110,000	400,000
Refundable Amount (credit for children only)	1,000	1,400

**All figures for MFJ

Modifications to Itemized Deductions



	2018
SALT Deduction	Limited to \$10,000
Mortgage Interest Deduction	Limited to interest on up to \$750,000 of acquisition indebtedness; Repeals deduction for home equity indebtedness
Charitable Contributions	Percentage Limit increased from 50% to 60% (for cash)
Personal Casualty Losses	Repealed, except for declared disasters
Medical Expenses	Expanded for two years by setting the deduction threshold to 7.5% of AGI for all taxpayers
Job Expenses & Miscellaneous Deductions	All deductions subject to the 2% floor repealed; Many above-the-line deductions retained
Overall Limitation on Itemized Deductions	Suspended for 2018 until 2025
Alimony Paid	Repealed for any divorce or separate instrument executed after 12/31/18
Moving Expenses	Repealed

AMT Exemption Increase



	2017	2018
Single or Head of Household	54,300	70,300
Married Filing Jointly	84,500	109,400
Begin of Phaseout, Single or HoH	120,700	500,000
Begin of Phaseout, MFJ	160,900	1,000,000

Other Notable Individual Provisions



- Individual Health Insurance Mandate Penalty Eliminated
- Self Created Property
- Qualified Opportunity Zone



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Estate, Gift & GST



- Estate, gift & GST tax basic exclusion is doubled for tax years 2018 until 2025
- Amount is indexed for inflation, exclusion for 2018 is \$11.2 million per person
- Portability and step up in basis still applies
- Adds adjustment with respect to prior gifts to reflect rate at time of death opposed to rate at time of gift

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International Tax Changes



- Border Adjustment Tax is dead
- Shift to “territorial” tax system
- Tax on deemed repatriated profits at 15.5% or 8% paid over 8 years
- 100% dividend exclusion on future foreign profits

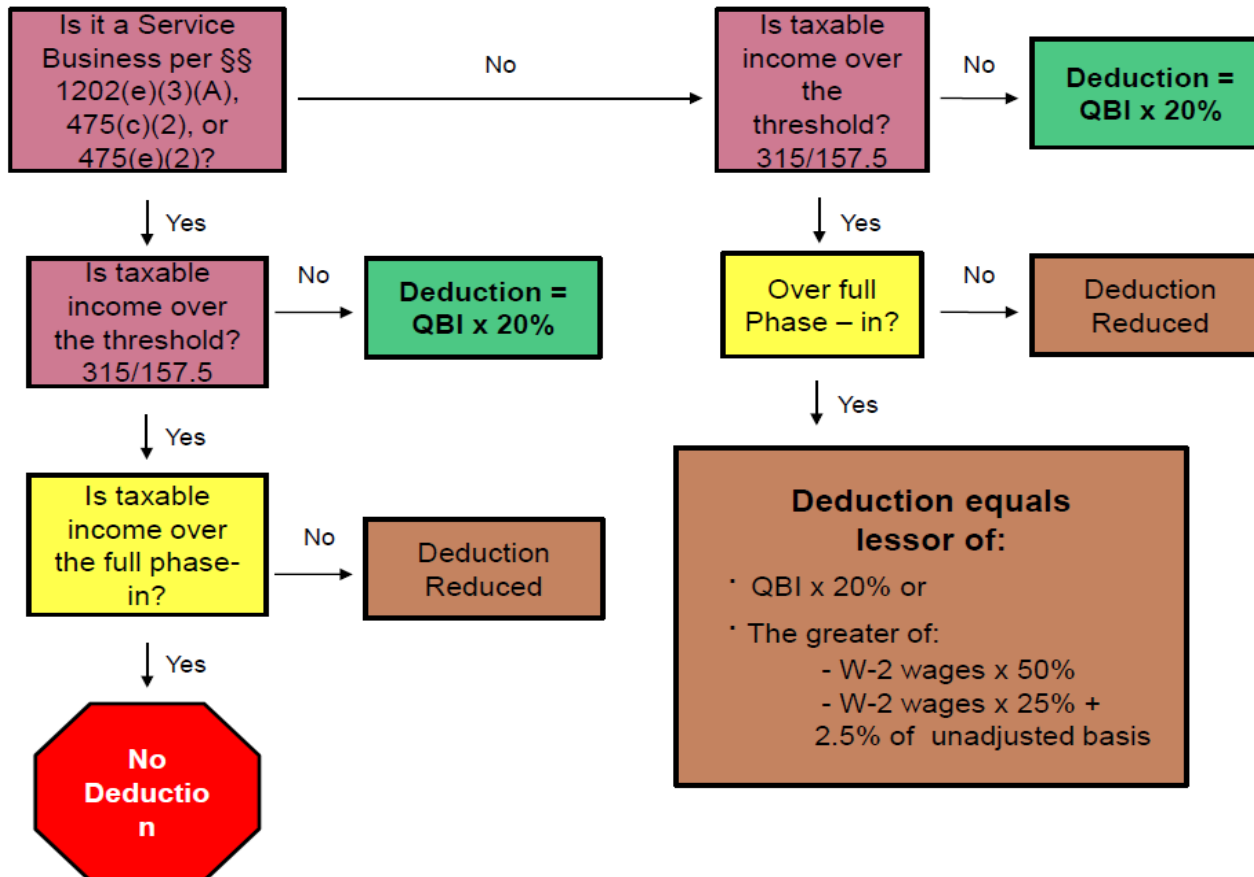
C Corporation Changes



- Flat 21% Rate for tax years beginning after December 31, 2017
- Personal Service Corporations taxed the same as any C Corporation
- 70% dividend received deduction reduced to 50% & 80% dividend received deduction reduced to 65%
- Corporate AMT eliminated



Qualified Business Income Deduction



Bonus Depreciation



Period	Applicable Percentage
9/27/2017 -2022	100%
2023	80%
2024	60%
2025	40%
2026	20%

Expanded to include used property

Expanded Section 179



- Effective for property placed in service after December 31, 2017
- Annual limit raised to \$1 million
- The threshold phases out starting at \$2.5 million
- The SUV limitation remains at \$25,000
- All limits are indexed for inflation after 2018

Qualified Real Property



- Qualified improvement property and improvements to nonresidential real property for roofs; heating, ventilation & air-conditioning; fire protection & alarm systems; and security systems
- Qualified improvement property is an improvement to the interior portion of nonresidential real property
- Eligible for Section 179 expensing
- Bonus Depreciation?

Expanded Availability



- Single \$25 million gross receipts test for determining
 - Use of cash method accounting
 - Not required to use inventories
 - Not required to apply the UNICAP rules
 - Not required to use % of completion for a small construction contractor



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Limitation on Deduction of Business Interest



- Applies to businesses with gross receipts over \$25 million
- Interest deduction is limited to 30% of adjusted taxable income plus interest income and floor plan financing interest
- Limitation is applied at the entity level and not the shareholder/partner level
- Any business interest not allowed is carried forward indefinitely
- Elect to exclude real property business if use ADS

Net Operating Losses



- 2 year carryback provision repealed for years beginning after December 31, 2017 (except for certain farm losses & casualty insurance companies)
- NOLs may be carried forward indefinitely
- Only 80% of taxable income in future years may be reduced by NOL

Limit on Excess Business Loss



- Applies to noncorporate taxpayers, partners and shareholders for tax years 2018 until 2025
- Limits the amount of current year loss from a business to \$500k for married filing joint (\$250k for all other taxpayers)
- Limit adjusted for inflation annually
- Excess is carried forward as a net operating loss



*"I deal with tax avoidance - **he** deals with tax evasion."*



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Other Business Provisions



- Like Kind Exchanges of Real Property
- Research and Experimental Expenditures after 2021
- Employer Credit for Paid Family & Medical Leave
- Employer's Deduction for Entertainment, Commuting Benefits and Meals



**I ❤️ TAX
REFORM**



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