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TAX REFORM
By: BRIAN T. OSTENDORF, CPA

As many of you are aware, President Trump has just signed into effect a tax reform bill providing for a major overhaul to our current tax laws. This concludes the back and forth process between the House and Senate with a compromise reached on numerous proposed tax law changes.

Many of the new law's details are yet to come out and will require a full analysis once available. Additionally, the Treasury Department will soon provide Treasury Regulations as guidance for taxpayers and tax practitioners. In the meantime, we have identified a few key areas for you to consider acting on before the year end.

We will continue to monitor the implementation of this new law and provide you with more information as it becomes available. In the meantime, do not hesitate to reach out to us if you have any questions or concerns on how these changes will impact your taxes.

Tax Update (December 22, 2017)
Individuals

- Tax rate brackets are changing. As a result of the statutory tax rate changes, most taxpayer's liability will decrease. However, because of other provisions in the bill, some taxpayers may see an overall increase in their total tax liability.
- Congress was unsuccessful in repealing the Alternative Minimum Tax ("AMT") for individual taxpayers and the Estate tax. However, the allowable exemption used to compute these types of taxes has increased which will limit its application to taxpayers prospectively.
- **Any state tax payment due for 2017 should be paid before year end as its Federal tax benefit may be diminished in 2018 (situationally depending). This is a result of a new ceiling on the amount of state taxes which can be claimed as an itemized deduction.**
- Certain itemized deductions are going to change. For example, there will be a greater limitation on home mortgage interest deductions, the medical expense income threshold has been reduced and certain expenses previously considered "2% miscellaneous itemized deductions" are no longer allowable itemized deductions. As a result, it may be beneficial to pay as many of these expenses as allowable in 2017.
- The individual mandate of health insurance required under the Affordable Care Act has been repealed.

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Businesses

- The new statutory corporate tax rate is 21%, a significant reduction from the prior rate which leveled out at 35%. **Because of this rate decrease, a valid business expense paid today will provide for a greater tax savings than an expense paid in 2018. It should also be noted that not all industries will see this tax rate reduction. Additionally, AMT will no longer apply to corporations that pay Federal income tax.**
- Reduced effective tax rates for passthrough entities means that **profitable partnerships, s-corporations and sole proprietorships may also receive a greater tax benefit for valid business expenses paid in 2017.** The reduction to pass through entity tax rates will be the result of a deduction against qualified business income. Certain restrictions and limitations will apply to ensure taxpayers do not abusively limit their salaries and wages to receive this preferential tax rate.
- Certain provisions which allow immediate expensing of assets, as opposed to depreciating and recovering asset costs over its useful life, have been extended. Further, the definition of assets eligible for accelerated depreciation has been expanded to include purchased assets which were previously used in a trade or business.
- The non-recognition of gain generated from a like kind exchange transaction will be limited prospectively to only certain exchanges of eligible property.
- There are many changes to accounting methods and tax credits. In general, small businesses may feel relief from more complicated tax accounting methods.
- The United States will move away from a worldwide taxing regime to one that is territorial based. This movement will drastically change how multinational corporations determine income taxes.

If you have questions about this or any other business or tax issue, please contact hour Account Manager or Brian Ostendorf, CPA at (314) 205-2510 or by email at bostendorf@connerash.com.

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