MOORE STEPHENS

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The Tax Cuts and Jobs Act

The United States Congress just passed the biggest tax bill since 1986. Here is a summary of the comprehensive tax reform bill recently signed into law by President Trump.

Most of the changes are effective January 1, 2018 (we have noted those which are not).

Please note: This is only a summary of the major provisions and should be used as such. Specific inquiries should be made directly to your Moore Stephens (or other) professional advisor.

Individuals

(Note: All provisions related to individuals expire at the end of 2025 unless otherwise noted.)

Tax Rates

- Continue with seven brackets
- Top majority rate reduced from 39.6% to 37%

Taxable Income: Current			Taxable Income: New Law		
Rate	Single	Married	Rate	Single	Married
10%	$0 - $9,525	$0 – $19,050	10%	$0 - $9,525	$0 - $19,050
15%	$9,526 - $38,700	$19,051 - $77,400	12%	$9,526 - $38,700	$19,051 - $77,400
25%	$38,701 - $93,700	$77,401 - $156,150	22%	$38,701 - $82,500	$77,401 - $165,000
28%	$93,701 - $195,450	$156,151 - $237,950	24%	$82,501 - $157,500	$165,001 - $315,000
33%	$195,451 - $424,950	$237,951 - $424,950	32%	$157,501 - $200,000	$315,001 - $400,000
35%	$424,951 - $426,700	$424,951 - $480,050	35%	$200,001 - $500,000	$400,001 - $600,000
39.6%	Over $426,700	Over $480,050	37%	Over $500,000	Over $600,000

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	Current	New Law
Long Term Capital Gains (including qualified dividends) – No change	20% (maximum)	20% (maximum)
Net Investment Income Tax – No change	3.8%	3.8%
Alternative Minimum Tax: • Remains • Increased exemption amounts	Single- $55,400 exemption; phase out begins at $123,100 Married $86,200 exemption; phase out begins at $164,100	Single- $70,300 exemption phase out begin at $500,000 Married- $109,400 exemption phase out begins at $1,000,000
Itemized Deductions: • Most eliminated or limited • Medical expense deduction increased	**State and local income sales** and property taxes all deductible	Deductions now limited to $5,000 for single filers and $10,000 for married filers
	Home mortgage interest on two homes (principal and second) deductible to a maximum of $500,000 for single filers and $1,000,000 for joint filers	Limit changed to $750,000 (generally for purchases after December 16, 2017)
	Interest on home equity lines of credit deductible up to $100,000	No longer deductible
	Qualified medical expenses are deductible to the extent they exceed 10% adjusted gross income (AGI)	Floor has been reduced to 7.5% of AGI
	Miscellaneous itemized deductions (Including tax preparation fees and investment expenses) are deductible to the extent they exceed 2% of AGI	Phase out is eliminated
	Total itemized deduction phase-out at incomes in excess of $266,700 for filers and $380,000 for joint filers.	Most have been eliminated subject to certain limitations
Individual standard deduction and personal exemption • Standard deduction nearly doubled • Personal exemption eliminated	**Standard deduction** is $6,500 for single filers and $13,000 for married filers	Standard deduction is $12,000 for single filers and $24,000 for married filers

	Personal exemption is $4,150 per person; phase out at $261,500 for single filers and $313,800 for married filers	Personal exemption is eliminated
Child Tax Credit • Amount increased • Partially refundable • Phase out increased	$1,000 per child Phase out begins at $75,000 for single filers and $200,000 for married filers	$2,000 per child ($1,400 of which is deductible) $110,000 for single filers and $400,000 for married filers
Shared Responsibility Payment • Eliminated	Penalty of 2.5% of household income up to $695 per adult ($2,085 per household) for filers without health insurance	Eliminated
Carried interest • Holding period extended	Eligible for long term capital gains rate of held for more than one year	Long term capital gains rates apply for holdings in excess of three years
Flow through entities • Tax rates reduced	Business income taxed at individual rates	Domestic business income will be reduced by 20% subject to certain limitations
Estate and Gift Taxes Lifetime Exclusion • Exemption is doubled • Rate is reduced	Estate is excess of $5.6 million (indexed for inflation) are subject to taxation at a maximum rate of 40%	Exemption will be doubled to $11.2 million, indexed for inflation. (Current law and inflation indexed limits will be reinstated in 2025.

Businesses

Corporate Tax Rates

- Brackets eliminated
- Tax rate reduced

Taxable Income: Current		Taxable Income: New Law
<$50,000	15%	Flat rate of 21%
$50,00 - $75,000	25%	
$75,00 - $100,000	34%	
$100,00 - $335,000	39%	
$335,00 -$10,000,000	34%	
$10,000,000 - $15,000,000	35%	
$15,000,000 - $18,333,333	38%	
>$18,333,3332	35%	

	Current	New Law
Cost recovery of fixed assets • Immediate expenses allowed five years • Section 179 limits increased	Fixed assets are depreciable over periods ranging from 3 to 39 years. Bonus depreciation available purchases of new Fixed assets. Section 179 expense is allowed for purchases of up to $510,000 phasing out when purchases exceed $2,030,000	Fixed assets depreciation periods are generally unchanged Effective for purchases made between 18 September 2017 and 3 December 2022. Purchases of new and used short lived fixed assets can be immediately expensed. Section 179 Expense is increased to $1,000,000 phasing out when purchases exceed $2,500,000.
Alternative Minimum Tax • Eliminated	Exemption amount of $40,000 Phase out begins at $150,000	Alternative minimum tax is eliminated
Interest Expenses • Will be netted with interest income and net deduction will be limited	Generally deductible	Net interest deductible up to 30% of adjusted business income. businesses with gross receipts of less than $25 million would be exempt. Special rules will apply for real estate entities.
Domestic Production Deduction • Eliminated	Generally, 3% deduction	Eliminated
Research and Development Expenses • Amortized beginning in 2022	Generally, 3% deduction	Eliminated
Research and Development Expenses • Amortized beginning in 2022	Currently deductible	Amortized over 5 years (15 if outside the United States) beginning in 2022.
Entertainment Expenses • Eliminated • Deduction for 50% meals is retained	Entertainment amusement and recreation activities are generally deductible subject to certain limitations	Deduction is eliminated
Foreign Earnings Repatriation • One time deemed repatriation tax	Foreign earnings generally taxed upon repatriation	Deemed on currently deferred foreign profits with own time tax of 15.5% (8% for non-cash equity) payroll over 8 years. Territorial system with base rules erosion enacted.

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• Territorial system implemented	US corporations subject to taxation on worldwide earnings	
Net operating losses • Carrybacks eliminated • Carryforwards limited	Losses may be carried back two years and forward 20 years. Losses can offset 100% taxable income.	Losses may not be carried back but may be carried forward indefinitely. Losses may only offset up to 80 % taxable income.

Possible Planning Strategies

- Tax rates will generally be lower and many deductions will be eliminated or reduced in 2018. Accordingly, it makes most sense to defer income (into 2018) and accelerate deductions (into 2017).

- That said, if you are subject to the alternative minimum tax in 2017, it may make sense to accelerate income into this year.

- Consider a 2017 conversion of a traditional IRA account to a Roth IRA.

- Consider maximizing itemized deductions in 2017, especially if you will no longer itemize in 2018.

- Delay exercise of share options until 2018.

- Businesses taxed as flow through many wish to minimize income by pre-paying (where appropriate) expenses and taking advantage of Section 179 deductions.

- Postpone until 2018 any gifts requiring payment of gift taxes.

Questions about the Tax Cuts and Jobs Act?

Contact Us