



Tactical Skills
for the Growing Business

Welcome

BENEFITS TO THE TAX LAW CHANGES
& TAX PLANNING SHORTCUTS





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Darrell is a licensed Certified Public Accountant in the state of Florida, and began his public accounting career with Pivot CPAs in 2008. He grew up in Ocala, FL and attended the University of Florida where he earned his Bachelor of Science degree in accounting in 2007. He currently resides in Nocatee with his wife, Casey, and their two children, Andie and Max.

Darrell has worked extensively with small to medium sized businesses and he believes in proactive tax planning. Darrell is focused on delivering personalized service and attention to his clients. Throughout the year, he keeps individuals and business clients informed about tax law changes, opportunities and potential tax liabilities.

TAX SERVICES
ASSURANCE SERVICES
BOOKKEEPING SERVICES



Tax Law Change Highlights

- ▶ C Corporation Tax rates drop from a top tax bracket of 35% to a flat 21%
- ▶ 199A - 20% Deduction for Qualified Business Income (QBI)
- ▶ Reduction in tax rates for individual taxpayers (Approximate 3% savings)
- ▶ Favorable 100% expensing of certain business assets (Bonus depreciation)
- ▶ Increased Sec 179 expensing to \$1M (including qualified improvement property, roofs, a/c, alarm systems, security)
- ▶ No entertainment expense deductions
- ▶ Substantial adjustments to itemized deductions

What type of entity should I be?

C Corporation?

C Corporation

Net Income	100,000
Federal Tax	(19,800)
Florida Tax	(5,500)
Remaining Cash	74,700
Tax on Distribution of Cash	(11,200)
Cash Received	63,500
Total Tax Rate	36.5%

S Corporation

Net Income	100,000
Sec 199A Deduction	(20,000)
Taxable Income	80,000
Federal Tax	(19,200)
Cash Received	80,800
Total Tax Rate	19.2%

Pass Through Changes

- ▶ 20% Deduction for Qualified Business Income (QBI)
- ▶ What is Qualified Business Income?
 - ▶ All Domestic Activity, except Professional Services
 - ▶ Service companies excluded from this deduction (unless low taxable income)
 - ▶ Single Taxpayers phase out from \$157,500 - \$207,500
 - ▶ Married Taxpayers phase out between \$315,000 - \$415,000
- ▶ Deduction may be limited to 50% of wage base (or 2.5% unadjusted cost basis) – favorable to commercial real estate

Meals and Entertainment Changes

Event	2017 Expenses (Old Rules)	2017 Expenses (New Rules)
Office Holiday Party	100% Deductible	100% deductible
Client Business Meals	50% deductible if taxpayer is present, and not lavish or extravagant	50% deductible if business is conducted, taxpayer is present, and not lavish or extravagant
Entertainment-related meals	50% deductible	No deduction
Sporting Event Tickets	50% deductible for face value of ticket	No deduction
Sporting Event – Skybox	50% deductible for price of non-luxury seat ticket face value	No deduction
Meals Provided to Employees Occasionally & Overtime Employee Meals	100% provided they are excludible from employees' gross income	50% deductible
Water, Coffee and Snacks at the office	100% provided they are excludible from employees' gross income	50% deductible
Meals in Office during meetings of Employees	50% deductible	50% deductible
Meals During Business Travel	50% deductible	50% deductible

Examples

	Single/Young	working parents	working parents	executive/professional	business owner
salary	40k	80k	100k	350K	150K
pass through income					200K
status	single	married	married	married	married
kids		2 kids	2 kids	2 kids	2 kids
Itemized	no	no	home owner	home owner	home owner
2018	3,170	2,339	4,739	61,079	51,479
2017	3,974	4,732	6,638	77,894	76,023
Decrease in taxes	804	2,393	1,899	16,815	24,544

New Brackets

Tax brackets for single filers

2017		2018	
10%	\$0–\$9,325	10%	\$0–\$9,525
15%	\$9,326–\$37,950	12%	\$9,526–\$38,700
25%	\$37,951–\$91,900	22%	\$38,701–\$82,500
28%	\$91,901–\$191,650	24%	\$82,501–\$157,500
33%	\$191,651–\$416,700	32%	\$157,501–\$200,000
35%	\$416,701–\$418,400	35%	\$200,001–\$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard deduction: \$6,350		Standard deduction: \$12,000	
Personal Exemption: \$4,050		Personal Exemption: Eliminated	

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Tax brackets for married taxpayers filing jointly

2017		2018	
10%	\$0–\$18,650	10%	\$0–\$19,050
15%	\$18,651–\$75,900	12%	\$19,051–\$77,400
25%	\$75,901–\$153,100	22%	\$77,401–\$165,000
28%	\$153,101–\$233,350	24%	\$165,001–\$315,000
33%	\$233,351–\$416,700	32%	\$315,001–\$400,000
35%	\$416,701–\$470,700	35%	\$400,001–\$600,000
39.6%	\$470,701 or more	37%	\$600,000 or more
Standard deduction: \$12,700		Standard deduction: \$24,000	
Personal Exemption: \$8,100		Personal Exemption: Eliminated	

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Tax Projector

	2017	Projected 2018	Increase (Decrease)
WAGES, SALARIES AND TIPS	810,717.	518,211.	-292,506.
SCHEDULE B - INTEREST	43,125.	43,125.	
SCHEDULE B - DIVIDENDS	51,825.	51,825.	
SCHEDULE D (CAPITAL GAIN OR LOSS)	-3,000.	0.	3,000.
TAXABLE IRA DISTRIBUTIONS	445.	445.	
SCHEDULE E (RENTAL AND PASSTHROUGH)	142,870.	410,000.	267,130.
OTHER INCOME	1,200.	1,200.	
TOTAL INCOME	1,047,182.	1,024,806.	-22,376.
DEDUCTIBLE PART OF SELF-EMPLOYMENT	16.	16.	
DOMESTIC PROD. ACT. DEDUCTION	7,086.	0.	-7,086.
TOTAL ADJUSTMENTS	7,102.	16.	-7,086.
ADJUSTED GROSS INCOME	1,040,080.	1,024,790.	-15,290.
DEDUCTIONS	12,700.	24,000.	11,300.
INCOME BEFORE EXEMPTIONS	1,027,380.	1,000,790.	-26,590.
QUALIFIED BUSINESS INCOME DEDUCTION	0.	72,000.	72,000.
TAXABLE INCOME	1,027,380.	928,790.	-98,590.
TAX	344,839.	276,756.	-68,083.
TAX BEFORE CREDITS	344,839.	276,756.	-68,083.
FORM 1116 (FOREIGN TAX CREDIT)	1,447.	1,447.	
OTHER CREDITS	1,080.	0.	-1,080.
TAX AFTER NON-REFUNDABLE CREDITS	342,312.	275,309.	-67,003.
SCHEDULE SE (SELF-EMPLOYMENT TAX)	32.	32.	
SCHEDULE H	4,765.	4,765.	
OTHER TAXES/RECAPTURES	8,952.	6,000.	-2,952.
TOTAL TAX	356,061.	286,106.	-69,955.
FEDERAL INCOME TAX WITHHELD	260,140.	148,728.	-111,412.
ESTIMATED TAX PAYMENTS	35,000.	2,819.	-32,181.
FORM 4868 (EXTENSION REQUEST)	65,000.	0.	-65,000.
TOTAL PAYMENTS	360,140.	151,547.	-208,593.
TAX OVERPAID	4,079.	0.	-4,079.
BALANCE DUE	0.	134,559.	134,559.

DO NOT FILE FOR PROJECTION PURPOSES

Individual changes

- ▶ Affordable Care Act Individual Mandate – goes away 2019
- ▶ Favorable disaster relief rules – no 10% casualty loss, no penalty if using IRA distributions
- ▶ Lower rates
- ▶ Double standard deduction, no personal exemptions
- ▶ Change in Itemized Deductions
 - ▶ \$10k tax deduct limit
 - ▶ \$750k mortgage limit, no 100k line of credit
 - ▶ No Misc 2% deducts
 - ▶ No Phase out
 - ▶ No Moving expenses
- ▶ Increased Child tax credit (still phased out, but a much higher lever)
- ▶ Use of 529 plans K-12 (\$10k per year)
- ▶ Federal Estate and Gift unified Credit doubles (\$11M, \$22M)

Putting Money in Taxpayers' pockets

- ▶ Decrease C Corp tax rate
- ▶ Lower individual brackets
- ▶ Child tax Credit (doubled, much higher phase out level)
- ▶ No Itemized deduction phase out
- ▶ Double Standard deduction
- ▶ 20% pass through business deduction
- ▶ Double lifetime giving to \$11M or \$22M (joint)
- ▶ Accelerate write off of capital acquisitions

Taking Money from Taxpayers

- ▶ Mandatory repatriation of foreign holdings
- ▶ Decreased Itemized Deductions
 - ▶ \$10k for tax deduction
 - ▶ Limited state income tax deduction
 - ▶ \$750K mortgage (vs \$1.1M)
 - ▶ No investment fee deductions or other misc itemized deducts
 - ▶ Double standard will make a lot of taxpayers no longer itemize
 - ▶ Retirees with no mortgage.
 - ▶ Impact on charities?

Winners/Losers?

- ▶ Profitable C Corps – Hopefully expansion, bonuses, etc., dividends
 - ▶ Non service company pass through –S Corps, partnerships
 - ▶ Most individuals – brackets, child tax credit, etc.
 - ▶ Estate planning – double the lifetime giving, \$22M.
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- ▶ Losers – Very high income taxpayers in high income tax states, Single high income earners (bracket)

IDEAS

- ▶ Timing charitable deductions for those that might not itemize anymore
- ▶ Use qualified charitable distribution from IRA to charity for those that don't itemize
- ▶ Child tax credit, paying attention to income
- ▶ Service 20% income issue, pay attention to income
- ▶ Sole proprietorship may be better than S Corp because of 20% deduct
- ▶ What is service company?