2017 Tax Cuts and Jobs Act (and more)

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The Five Stages of Tax Reform Grief

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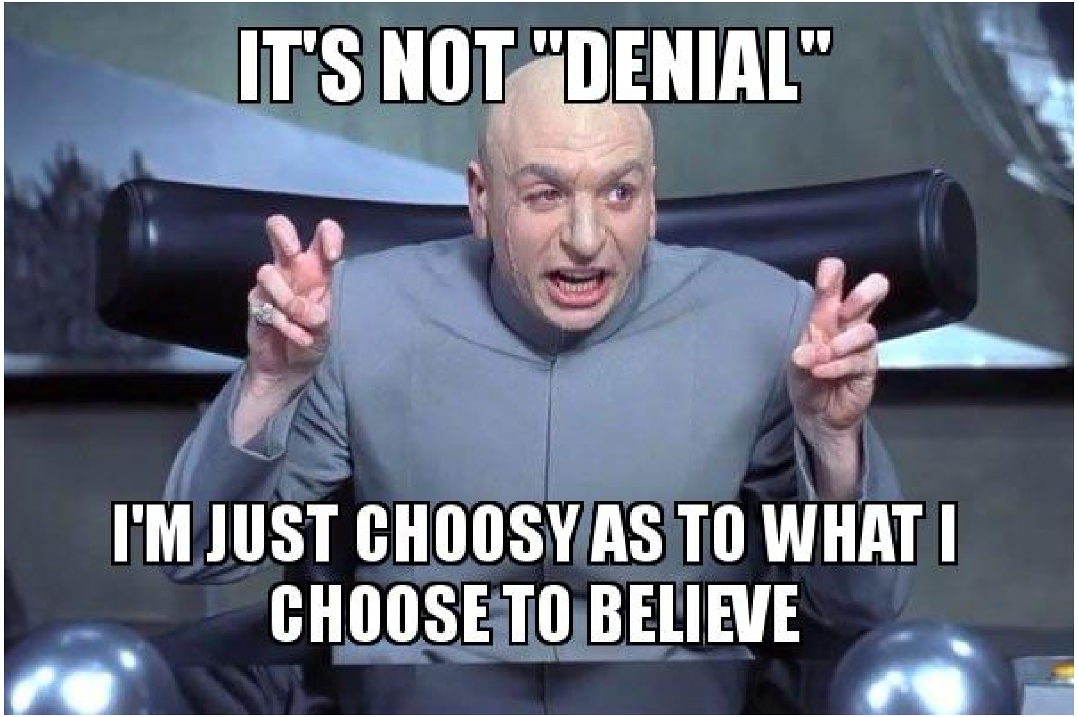
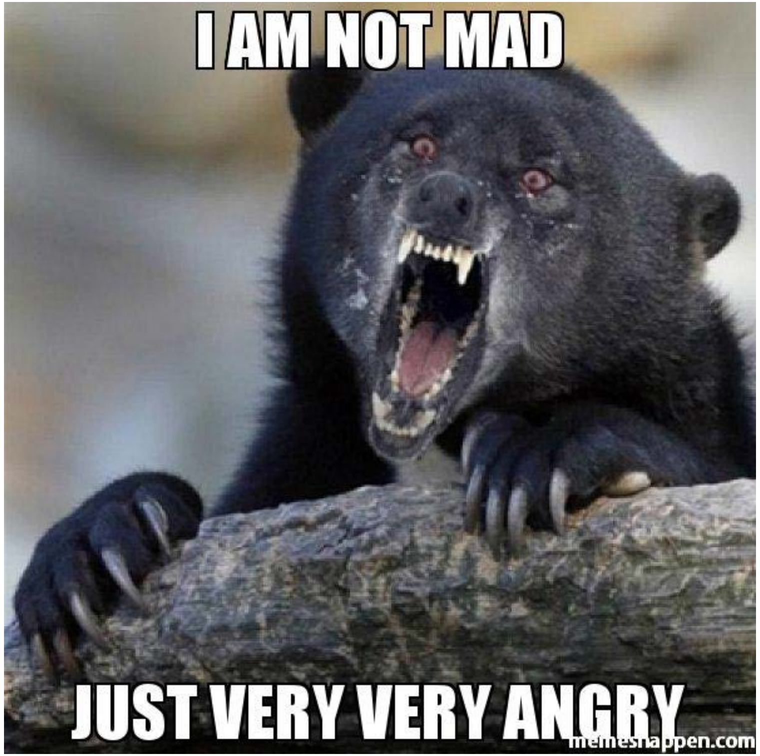
Denial



Denial

- No way this gets passed!
- Reduce the corporate rate??
- Too big of a bill to pass
- Am I going to have a job??

Anger



Anger

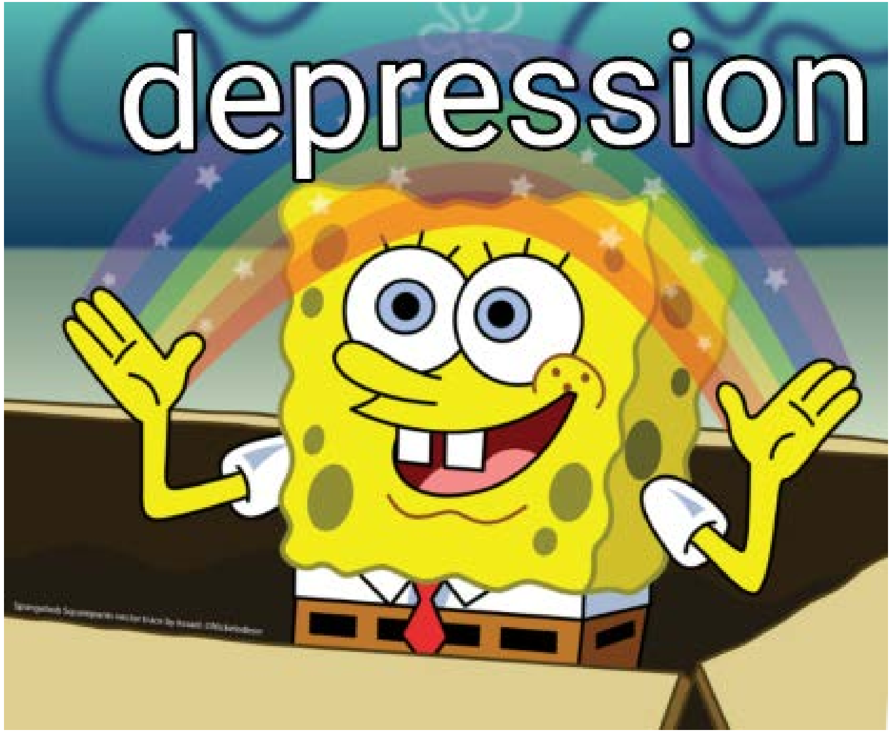
- The lost Christmas and New Years of 2017
- Thanks for being vague
- Simpler…righhht….
- You have fundamentally changed my brain

Bargaining

Bargaining

- So let the interpretations begin
- Can we get an exception to the exception? (Reg drafting)
- How much is my bill going to be next year??

Depression



Depression

- Basically Now
- One word…Regs…
- 148 pages of “light” reading
- IRS is worse than tax CPAs with deadlines…if you give me a 11p deadline I will be done at 10:59p…

Acceptance

Acceptance

- Begins January 1st…
- Forms and footnotes galore
- Will result in intense tax compliance season for 2018 returns

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Corporate Tax Rate	Four rates: 15, 25, 34, and 35 percent (34% for $75K to $10M of taxable income)		Flat rate of 21% for tax years beginning after December 31, 2017

Analysis – Corporate Rate

- Consideration in entity structure:
  - Converting a LLC or S-Corp to a C-Corp – Appreciated assets??
  - Converting a C-Corp to a S-Corp or LLC – E&P, taxable event, NOLs??
  - Lower passthrough rate, expires end of 2025
  - How long will lower C-corp rate last?
  - Double Taxation – End up with 39.8% rate
  - Flexibility in entity type – Investor Base
  - Cash – Distribute or Reinvest?
  - Business plans, have you modeled and forecasted?
  - Personal Holding Company?
  - Investor Benefits?
  - Exit Strategy?

Takeaways – Corporate Rate (Tax Rate Comparisons)

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	Current Law		Tax Cuts and Jobs	
C Corp Shareholder	50.47%		39.8%	
Active without 20% pass-through deduction	39.6%		37.0%	
Passive without 20% pass-through deduction	43.4%		40.8%	
Active with 20% pass-through deduction	N/A		29.6%	
Passive with 20% pass-through deduction	N/A		33.4%	

Analysis – Corporate Rate

- Elimination of corporate planning to minimize tax through $75K band

- Corporate rate blended for fiscal year taxpayers straddling 12/31/17
  - For example, 7/1/17 to 6/30/18 fiscal year
  - $1M of taxable income
  - Tax is $275,534 ($340,000*184/365 + $210,000*181/365)

Takeaways – Corporate Rate

- What (if any) entity selection discussions do I need to have before YE?

- Do I need to discuss entity selection with my tax advisor and business owner for future tax years?

- Is there any compensation planning I should go through before YE if in corporate structure?

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Corporate AMT	Taxpayers must compute their income for both regular and AMT, taking the higher of the two		Repealed – Continue to allow prior year AMT credits to offset regular tax liability

Analysis/Takeaways – Corporate AMT

- Can be a driver in entity selection discussion since Individual AMT was retained
- Any outstanding 2017 fiscal year corporate returns in AMT situation (not filed) I should be focused on?
- Prior year AMT credits can be carried forward and utilized
  - Can claim a refund of 50% in tax years beginning before 2012
  - Can claim a refund of 100% beginning in 2021

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
NOL Deduction - Corporate	May be carried back two years and carried forward 20 years		Eliminates carrybacks; carried forward indefinitely; limits deduction to 80% of taxable income

Analysis – Corporate NOLs

- Indefinite NOL carryforward and general repeal of NOL carrybacks applies to NOLs arising in tax years ending after December 31, 2017

- 80% NOL limitation rule would be effective for losses arising in tax years beginning after December 31, 2017

Analysis – Corporate NOLs

- 80% NOL limitation could have substantial impact on businesses
  - Must work with tax advisor to “smooth” losses in some cases
  - Options to elect out of bonus, accelerate income, or defer expenses?
  - Can require significant forecasting and planning in some cases
  - Can result in a form of a minimum tax to certain taxpayers in certain tax years

- Indefinite carryforward should be well received; no carryback limits flexibility

Analysis – Corporate NOLs

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- Example 1:
  - Calendar-year taxpayer has a $90K NOL established in 2018 carried forward to 2019, a year it has taxable income of $100K. The taxpayer's 2019 NOL deduction is limited to $80K ($100K * 80%) and the remaining $10K can be carried forward indefinitely
- Example 2:
  - Calendar-year taxpayer has a $60K NOL established in 2018 carried forward to 2019, a year it has taxable income of $100K. The taxpayer's 2019 NOL deduction is not limited ($100K * 80%, which is greater than $60K) and the full $60K can be deducted in 2019.

Takeaways – Corporate NOLs

- What does my taxable income look like over the next few years….will there be significant swings?

- How am I playing a part in the conversation with my tax advisor on how NOLs today could play a part in tomorrow's return?

- If significant NOL on tax return, am I being asked about my thoughts on bonus depreciation or other elections?

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Business Pass-through tax deduction	Not applicable		New 20% deduction on QBI (Qualified Business Income), REIT, Cooperative dividends, and PTPs - Subject to various limits and defined terms - Specified Services are excluded - QBI is only Domestic Trade or Business Income

Analysis – 199A

- Intent
  - To create parity amount business entities (corporate tax rate reduction to 21%)
  - Congress did not want income that was essentially a substitute for wages to qualify for the deduction
  - Congress wanted to reward business entities that pay W-2 wages or have investments in capital assets

Analysis – 199A

- New deduction for non-corporate business income (calculated separately on each qualified business)
  - Applicable for tax years after 12/31/17 and before 1/1/2026
  - Deduction is equal to the SUM OF:
    - 1. The LESSER OF:
      - The "combined qualified business income" of the taxpayer, or
      - 20% of the excess of taxable income over the sum of any net capital gain
    - 2. PLUS the LESSER OF:
      - 20% of qualified cooperative dividends (REITs/PTPs included), or
      - Taxable income less net capital gain.

Analysis – 199A

- Qualified business income:
  - QBI is generally defined as the net amount of "qualified items of income, gain, deduction, and loss" relating to any qualified **US** trade or business of the taxpayer
  - QBI does not include investment income/expense, capital gains, commodity or foreign currency gain/loss (unless directly related to business activities)
  - If the net amount of qualified income, gain, deduction, and loss relating to qualified trade or businesses of the taxpayer for any tax year is less than zero, **the amount is treated as a loss from a qualified trade or business in the succeeding tax year.**

Analysis – 199A

- Specified service trades or business (SSTBs) and performing services as an employee are excluded from definition of qualified trade or business
  - SSTBs include health, law, accounting, performing arts and athletics, actuarial science, consulting, financial services, brokerage services, investment and investment management, trading, dealing in securities or partnership interests, or any trade or business where principal asset is the reputation or skill of one or more of its employees or owners

Analysis – 199A

- Combined qualified business income is:
  - The SUM OF:
    - 1. The LESSER OF:
      - 20% of the taxpayer's "qualified business income" or
      - The GREATER OF:
        - 50% of the W-2 wages* with respect to the business, or
        - 25% of the W-2 wages* with respect to the business plus 2.5%* of the unadjusted basis of all qualified property
    - 2. PLUS, the LESSER of:
      - 20% of qualified REIT dividends/PTP income/COOP Dividends, or
      - Taxable income less net capital gain

*taxpayer's allocable share

Analysis – 199A

Example: A is a 30% owner of ABC, LLC. The LLC had ordinary income of $3,000,000. The LLC paid total W-2 wages of $1,000,000 and the total adjusted basis of property held by ABC, LLC is $100,000. A is allocated 30% of all items.

A is entitled to a deduction equal to the LESSER OF:

	Total	A's Alloc Share	20% Deduction
QBI	$3,000,000	$900,000	$180,000

OR the GREATER OF:

	Total	A's Alloc Share	50% Limitation
W-2 Wages	$1,000,000	$300,000	$150,000

OR the TOTAL OF:

		Total	A's Alloc Share	25% Limitation	2.5% Limitation	
W-2 Wages	$1,000,000	$300,000		$ 75,000		
Prop Basis	$100,000	$30,000			$ 750	
						$ 75,750

A is entitled to a deduction of $150,000.

Analysis – 199A

- Exception to W-2 Wage Limitation
  - The wage limitation doesn't apply for taxpayers below the threshold amount of $157,500 ($315,000 MFJ), indexed for inflation
  - Phase-in of W-2 wage limitation over the next $50,000 of taxable income ($100,000 for MFJ), fully phased out at $415,000

- Taxpayers in SSTBs are eligible. However, the deduction for taxpayers in service businesses is phased out if the taxpayer's taxable income exceeds the threshold amount of $157,500 ($315,000 MFJ), fully phased out at $415,000.

Analysis – 199A

Example: A has QBI of $200,000 from an S corporation that paid $30,000 of allocable W-2 wages and that has no qualified property. A's spouse, B, has $50,000 of W-2 income, and A and B have interest income of $20,000. Thus total taxable income is $270,000.

Normally, A's deduction would be limited to $15,000, the LESSER OF:

	Total	A's Alloc Share	20% Deduction
QBI	$200,000	$200,000	$40,000

OR the GREATER OF:

	Total	A's Alloc Share	50% Limitation
W-2 Wages	$ 30,000	$ 30,000	$15,000

OR the TOTAL OF:

		Total	A's Alloc Share	25% Limitation	2.5% Limitation	
W-2 Wages	$ 30,000	$ 30,000		$ 7,500		
Prop Basis		0	0			$ 0
						$ 7,500

A's deduction would normally be limited to $15,000, but because A's taxable income is less than $315,000, the two limitations are disregarded. **A is entitled to a deduction of 20% of QBI, or $40,000.**

Analysis – 199A

- Includable in QBI
  - Ordinary trade or business income/loss (including ordinary income loss under section 751)
  - Section 1231 gains or losses treated as ordinary (recapture)
  - Deductions for guaranteed payments under section 707(a)
  - Losses previously disallowed, suspended or limited (tax years ending after 12/31/17)
  - Section 481 adjustments (tax years ending after 12/31/17)

- <u>NOT</u> includable in QBI
  - Capital gains/losses
  - Dividends
  - Non-business interest income
  - Income not attributable to a trade or business
  - Section 1231 gains or losses treated as capital
  - Income from guaranteed payments under section 707(a)
  - Current year losses that are disallowed suspended, limited or carried over

Analysis – 199A

- The proposed regulations allow W-2 wages paid by a person other than the individual or relevant passthrough entity (RPE) provided the wages were paid to common law employees or officers of the individual or RPE for employment by the individual or RPE
  - This includes professional employer organizations, statutory employers, and agents
- Three methods used to determine the amount of W-2 wages
  - Similar to old 199 methods
    - Unmodified box
    - Modified Box 1
    - Tracking Wages
- To the extent taxpayer has both QBI and non-QBI, W-2 wages are allocated to QBI in the manner the associated wage expenses are taken into account when QBI is calculated

Analysis – 199A

- Qualified Property does not include amortizable or depletable assets
  - Only tangible property that is subject to depreciation, held at end of year, and which depreciable period has not ended (later of 10 years or last day of the last full year in the recovery period) – Separate depreciation schedule?!?!

Analysis – 199A

- Results in approximate effective tax rate of 29.6% (max)
- Not a reduction to AGI, a reduction to taxable income
- Important piece of analysis for entity structure selection
- Could be limited value in capex intensive deals due to tax losses – Primary benefit upon liquidation (recapture)
- Could be limited in structures where not paying wages or wages paid through C-Corp employer

Analysis – 199A

- Netting:
  - If a taxpayer has negative QBI from one or more trades or businesses, but has overall positive QBI when QBI from all of the taxpayer's trades or businesses are combined, the taxpayer must offset the QBI attributable to each trade or business that produced positive QBI with the negative QBI (apportion based upon relative amounts of positive QBI)

- Aggregation rules:
  - Each must be trade or business
  - Same person, or group of persons, must own a majority interest in each
  - None can be a specified service trade or business
  - Must establish the businesses are part of a larger integrated business
    - Products and services are the same or provided together
    - Share facilities or centralized business elements and personnel
    - Businesses are operated in coordination and reliance on others in the group

Analysis – 199A Regs

- Has NO effect on basis in partnership interest or S-Corp stock
- Does NOT reduce self-employment income or net investment income
- Is NOT an adjustment for AMT (not added back)
- Partnership 743(b) basis adjustments are NOT qualified property
- Guaranteed Payments do NOT constitute QBI
- If an S-Corp fails to pay a reasonable wage to its shareholder-employees, the compensation is prohibited to be used in QBI

Takeaways – 199A

- Do you qualify?
- Do company wages and property exist in same chain as profit?
- Is your company a qualified service business? (SSTB)
- Has this been taken into account in 2018 projections?
- Need to change entity structure?

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Temporary 100% Expensing for Certain Business Assets	Currently allows for 50% expensing on new property for depreciable assets with 20 year or less class-life		Property placed in service after 9/27/17 until 12/31/22 qualify for 100% expensing;
Section 179 Expensing	May deduct up to $510K of qualified property, subject to net income limitations and placed-in-service threshold of $2M		May deduct up to $1M of qualified property, subject to net income limitations and placed-in-service threshold of $2.5M

Analysis – 100% Expensing

- 100% Expensing
  - On both new and used property
  - Class life 20 years or less
  - 2023 80%, 2024 60%, 2025 40%, 2026 20%
  - Must elect out (by class life) if not using, reverts to normal MACRS

- Utilized in planning to smooth losses (UBTI, Corporate NOLs, etc.)

Analysis – 100% Expensing

- Industries where very capital intensive – Should have significant effect on the deployment of capital with immediate cash-tax benefit
- Should provide some level of certainty for short and long-term planning and encourage capital investments
- Consider valuation and allocation between tangible and intangible on asset purchases, since 100% applies to used property

Analysis – 100% Expensing

- 743(b) basis adjustments may be eligible for bonus depreciation
  - If a partner acquiring an interest has not used the portion of the partnership property to which the basis adjustment relates prior to the acquisition, the partner may be allowed bonus depreciation on the 743(b) basis adjustment
  - This applies even if the acquirer was already a partner in the partnership and is just purchasing another partner's interest
  - Transferor and transferee must not be a prohibited relationship
  - Partnership's election out of bonus will not impact a partner's ability to claim bonus depreciation on the 743(b) basis adjustment
  - Would not apply to 743(b) adjustments resulting from the death of a partner

Takeaways – 100% Expensing

- Decision to elect out of bonus if to my advantage (NOL smoothing, low income year)?
- YE Planning on assets placed-in-service – Anything to push to 2018 from early 2019?
- Is 179 an alternative since decision doesn't rely on class life?...must be profitable

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Limitation on Business Interest	Deductible in general, subject to certain limitations		Limits the deduction to 30% of EBITDA/EBIT

Analysis – Interest Limitation

- Limitation on business interest deduction (trade-off for 100% expensing)
  - All businesses subject to disallowance of a deduction for net interest expense in excess of 30% of adjusted taxable income
  - 2018 – 2021: Adjusted taxable income computed **without** regard for depreciation, amortization or former 199 deduction
  - 2022 and beyond: Adjusted taxable income computed **with** regard for depreciation, amortization or former 199 deduction
  - Disallowed amount carried forward
  - Exemption for taxpayers with 3 year average annual gross receipt less than $25 million, electing real property trade or businesses, and electing farm businesses

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
DPAD	Taxpayers may claim a deduction equal to 9% of qualified production income		Repealed – Deduction not allowed

Takeaways – DPAD

- Hit to manufacturing and distribution
- 199A is intended to make up for this

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Technical Termination of Partnerships	If 50% or more of capital is transferred, partnership's tax year ends		Repeals technical terminations

Takeaways – Technical Termination

- IRS becoming more strict on “days in year” approach
- Without technical terminations, importance of partner allocations
- Cut-off financials for periods with partner changes
- IRS could become less forgiving on late partnership returns

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Carried Interest	In a partnership report as long term capital gain if held for greater than one year		In a partnership report as long term capital gain if held for greater than three years

Analysis – Carried Interest

- Reclassifies long term capital gains from investments held less than 3 years to short term capital gains

- Current interpretation is that this would apply to hedge funds and private equity funds, but NOT to carried interest received directly in operating business or portfolio company

- Cannot hold interest in S-Corporation to circumvent rules

- Fiduciary duty vs. Best Tax Result

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Employee Meals	Fully deductible if on premises for the employer’s convenience		50% deductible, along with all other business meals

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Entertainment	50% deductible		Nondeductible

Takeaways – Meals and Entertainment

- Segregate meals from entertainment on accounting side
- Analysis of detail of invoices or payments for entertainment expense which include food and drink
- Watch for meals where NO business is conducted
- No deductions for club memberships
- Removed 80% charitable deduction for right to purchase educational institution’s athletic event tickets

Takeaways – Meals and Entertainment

- Water, snacks, coffee – 50% deductible
- Employee Meals – 50% deductible
- Meals included as compensation – 100% deductible
- Meals sold to a client or customer (or reimbursed) – 100% deductible
- Employee holiday parties and picnics – 100% deductible – Must include a majority of employees (not limit to key employees or executives)

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Excess Business Loss	N/A		Limited to $500K MFJ ($250K single)

Analysis – Excess Business Loss

- Excess business loss disallowance rule
  - An “excess business loss” is the excess of the taxpayer's aggregate deductions for the tax year that are attributable to trades or businesses of the taxpayer, over the sum of:
    - (i) the taxpayer's aggregate gross income or gain for the tax year which is attributable to those trades or businesses, plus
    - (ii) $250,000 (200% of that amount for a joint return (i.e., $500,000)).
  - Disallowed excess business loss treated as NOL carryover
  - Business losses include sole proprietor and farm losses
  - No guidance issued yet on the effect of passive losses

Current Law/New Law (Business - Assorted)

	Current Law		Tax Cuts and Jobs
Like-Kind Exchanges	Nonrecognition of gain on depreciable/ nondepreciable personal property and real property		Nonrecognition of gain on only real property
Cash Method of Accounting	Allowed if prior three years average less than $5M in gross receipts		Allowed if prior three years average less than $25M in gross receipts
Section 263A	Must include in inventory certain direct and indirect costs if more than average $10M gross receipts		Must include in inventory certain direct and indirect costs if more than average $25M gross receipts

Current Law/New Law (Business - Assorted)

	Current Law		Tax Cuts and Jobs
Long-Term Contracts	Exempt from percentage-of-completion if less than average $10M gross receipts		Exempt from percentage-of-completion if less than average $25M gross receipts
Employer Credit for Paid Family and Medical Leave	Not applicable		Credit for 12.5% of wages paid to employees on family and medical leave
Qualified Equity Grants	Not applicable		Can receive stock in a start-up company and defer income for five years or stock going public

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
Qualified Opportunity Zones	Not Applicable		Temporary deferral on existing assets; permanent deferral on existing assets (up to 15%); permanent deferral on assets purchased in fund

Analysis – QOZ

- Seek to encourage investment in designated distressed communities
- Provide federal income tax benefits to taxpayers who invest in businesses located in QOZs
- Zones designated by the state and approved by the IRS; over 8,700 so far and last for 10 years
- Fund property can be stock, partnership interest, or property

Example – QOZ

- Taxpayer sells appreciated property on November 1, 2018 and realizes a gain of $1 million (does not recognized/deferred)
- Taxpayer invests $1 million into a QOF on December 31, 2018
- Taxpayer sells her interest in the QOF on January 1, 2019 for $2 million

- RESULTS:
  - Taxpayer's initial basis is zero
  - On 1/1/2024, Taxpayer's basis increases to $100,000 (5 year hold = 10% permanent)
  - On 1/1/2026, Taxpayer's basis increases to $150,000 (7 yeah old = 15% permanent)
  - On 12/31/2026, Taxpayer recognizes $850,000 of the deferred gain ($1M-$150K), resulting in basis increase to $1M
  - Taxpayer sells her fund interest on 1/1/2029 and is not subject to tax on the $1M gain ($2M-$1M)

Current Law/New Law (Business)

	Current Law		Tax Cuts and Jobs
IRS Audit Regs	TEFRA		CPAR

Analysis – IRS Audit Regs

- Partnership Representative
  - Replaces TMP
  - Acts on behalf of the partnership in examination proceeding
  - Can be someone who is NOT a partner in the partnership
  - Must have presence in the US
  - All partners are bound by the actions of the Partnership Representative

- Electing out of CPAR
  - 100 of few eligible partners
  - Eligible partners are individuals, C Corporations, Foreign Entities, S Corporations, and Estates
  - Must elect on 2018 tax return!

Analysis – IRS Audit Regs

- Payment of Tax by the Partnership
  - Adjustment and tax assessed at the partnership level
  - Starting point is top tax rate!!
  - Penalties and Interest determined at the partnership level
  - Can be assessed based upon incorrect allocations as well (only pick up income, lose deductions!)
  - Exiting Partners?
  - Partnership already wound down?

- Push out Audit Adjustments
  - Can push out adjustments to partners
  - All partners are bound by the election and must treat the adjustments reported by the partnership consistently
  - Can be utilized to seek payment from former partners in year of review

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Individual Income Tax Rates	Seven rates: 10, 15, 25, 28, 33, 35, and 39.6 percent		Seven rates: 10, 12, 22, 24, 32, 35, and 37 percent
Standard Deduction	$6,350 for single filers and $12,700 for joint filers		$12,000 for single filers and $24,000 for joint filers
Personal Exemption	$4,050 per dependent		Deduction suspended
Alternative Minimum Tax	Taxpayers must compute their income for both regular and AMT, taking the higher of the two		Retained, but with increased exemption amounts and phase-out

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Misc. Itemized Deductions – 2% Floor	Deductible in excess of 2% of AGI		Suspended – No longer deductible
Limitation of Itemized Deductions	Reduced by 3% of the amount AGI exceeds threshold		Suspended – No limitation
Mortgage Interest	Deductible on up to $1M in acquisition and $100K in home equity (on two homes)		Deductible up to $750K in acquisition (new debt) on up to two homes. No home equity deduction.
State and Local Sales/Income/ Property Taxes	May claim deduction for property taxes and either sales or income tax		May claim up to $10,000 combined state and local/income/property taxes

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Charitable Contributions	Deductible to the extent of 50% of AGI		Deductible to the extent of 60% of AGI
Recharacterization of Certain IRA and Roth IRA Contributions	Before Oct. 15 of the year following conversion, taxpayer can recharacterize conversion from traditional to Roth (and vice versa)		Recharacterization cannot be used to unwind a Roth conversion (others still permitted)

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Estate and Gift Taxes	Exclusion amount is $5M, adjusted for inflation		Exclusion amount is $10M, adjusted for inflation
Generation-Skipping Transfer Tax	GST exemption amount is $5M, adjusted for inflation		GST exemption amount is $10M, adjusted for inflation

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Personal Casualty Loss Deduction	Deductible from losses arising from fire, storm, etc.		Only deductible if in a federally-declared disaster zone.
Medical Expenses	Deductible to the extent they exceed 10% of AGI		Deductible to the extent they exceed 7.5% of AGI
Alimony	Payor – Deductible Payee – Pick up in income		Payor – Nondeductible Payee – Do not pick up in income
Exclusion for Qualified Moving Expense Reimbursements	Reimbursements provided by an employer to an employee are excluded from employee's income		Suspended – Included in employee's income, except for members of the Armed Forces

Current Law/New Law (Individuals)

	Current Law		Tax Cuts and Jobs
Moving Expenses	Deductible in connection with new job over 50 miles away		Nondeductible, unless a member of the Armed Forces
Affordable Care	Individuals personally responsible for health insurance, subject to tax penalty		Reduces the individual shared responsibility payment to zero, no penalty – NET INVESTMENT INCOME TAX REMAINS!! (3.8%)
Child Tax Credit	$1,000 per qualifying child, phase-out over $110K		$2,000 per qualifying child, phase-out over $400K MFJ/$200K for single
Qualified Tuition Expenses (529 plans)	Higher education expenses qualify		Higher education and elementary/secondary expenses qualify