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To all Strain Slattery Barkley & Co., CPAs, P.C. individual and business tax clients:

Congress is working toward getting a tax bill passed before the end of 2017. The Senate and House have agreed on a compromise bill with the stated goal of getting a final bill on President Trump's desk for his signature by Christmas. While the bill technically will change tax law in 2018, many of the changes may impact how to best approach year-end 2017 decisions. Below you will find a list of what we feel are the most significant provisions of the **proposed** tax law taking effect in 2018.

Individual provisions:

- Standard deduction. Currently is $12,700 for married, $6,350 for single. Under the bill the standard deduction will almost double to $24,000 and $12,000. Many individuals may not itemize deductions in the future due to the increased standard deduction, so it may make sense to accelerate deductions (charitable giving, real estate taxes, state estimated taxes) into 2017. See below for more information on state and local taxes.
- Along with an increased standard deduction is the elimination of personal exemptions.
- Because of the increased standard deduction: if over age 70 ½, making your required minimum distribution (RMD) from your IRA directly to charity may make sense as a way to accomplish charitable goals.
- Child tax credit. Currently $1,000 per child (under 17). Increased to $2,000 per child, with up to $1,400 refundable. $500 non-refundable credit for other dependents who are not qualifying children.
- State and local taxes (or sales taxes) and real estate taxes as itemized deductions. Deduction is capped at a combined total of $10,000. If your total taxes exceed $10,000, may make sense to pay real estate taxes yet in 2017. May also make sense to pay your 4th quarter state estimate in 2017. $10,000 applies to married filing joint and single.
- Charitable contributions for athletic seating rights. Think Husker tickets. Currently 80% deductible. Now nondeductible.
- Unreimbursed employee expenses, tax preparation fees and other miscellaneous expenses that were previously allowed will be nondeductible. This includes all investment/brokerage fees and expenses. If you have significant employee business expenses, you may want to talk to your employer about renegotiating your pay so that the employer can pay these expenses.
- Alimony. For agreements effective after December 31, 2018, alimony paid will no longer be deductible, and alimony received will not be taxable income.
- Moving expenses will be nondeductible, unless military related.
- Tax rates. Most tax brackets have been reduced by 1-4 percentile points (i.e 15% bracket is now 12%).

- Casualty losses will only be allowed if within a Presidentially declared disaster area.
- 529 plans (Nebraska Educational Savings Trust) can be used tax-free up to $10,000 per year for elementary or secondary school tuition.
- The personal exemption for estate taxes is doubled to almost $11,000,000 per person.
- AMT exemption amount is increased so fewer people are subject to AMT.
- Mortgage interest deduction. Deduction allowed up to $750,000 of debt. Mortgages in place before December 15, 2017 are capped at $1,000,000. No deduction for home-equity loan interest.
- ACA (Obamacare) penalties for not having health insurance are eliminated.

Business provisions:

- Expensing of assets (bonus depreciation). Much more generous—100% write-off of property, NEW or USED, until 2023, of assets purchased after September 28, **2017**.
- Section 179. Currently $500,000 per year. Now $1,000,000.
- Like-Kind Exchanges (section 1031). Will apply to real property only. Personal property (Farm machinery, vehicles and all other equipment) will be considered a sale when traded. New asset will go on the books at full purchase price (and will also go on the personal property tax return at full purchase price). Sale price of traded asset will be the trade-in allowance. In most cases (except for non-truck vehicles) the depreciation on the new asset should offset any gain on the traded asset.
- Entertainment expenses will no longer be deductible. And only 50% of the cost of meals provided to employees (think company picnics or for the convenience of the employer) will be allowed, and will be totally non-deductible after 2025.
- Tax rates for "C" corporations are reduced to a flat 21%. Also, AMT for "C" corporations is eliminated.
- Partners of partnerships and shareholders of "S" corporations will be allowed a 20% tax deduction for pass-through income, reducing the top effective rate from 37% to 29.6% (20% of 37%), to match up somewhat with the tax rate decrease for "C" corporations. This deduction is limited for professional partnerships and corporations.
- Section 199, Domestic production deduction repealed. The repeal would include any pass through from a co-op.
- The carryback of net operating losses is no longer allowed and use of loss carryovers is limited.

If you would like any more information about how the proposed legislation may affect you, or have any questions at all, please give us a call. Also, please check our website, www.ssbcpas.com, for updates.

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