The President has just signed a new tax bill into law. We have formulated an action list to help you prepare for the year end.

- **Tax rates that will apply to individuals have generally been reduced in 2018 through 2025. The top bracket will be 37% (vs 39.6% in 2017).**

  Consider accelerating expenses by December 31, 2017 and deferring income, if possible, to 2018.

- **Individuals that have "qualified business income" from pass-through entities such as partnerships, S corporations, sole proprietorships, Real Estate Investment Trusts (REIT), or Publically Traded Partnerships (PTP) may be allowed to deduct up to 20% of such income in 2018 to 2025.**

  The managers of such pass-through entities should consider accelerating deductions in 2017 and postponing income to 2018 so that their members/shareholders/partners/owners can take full advantage of this deduction (as well as the lower tax rates).

  Also some employees may want to consider becoming self-employed in 2018 to take advantage of the deduction. However, the benefits to those in professions such as medicine, law, brokerage and consulting (but not engineering and architecture) begin to phase out at taxable income levels of $157,500 for individual and $315,000 for joint taxpayers.

- **In 2018 through 2025 the itemized deductions for state and local income taxes as well as for sales and property taxes will be significantly limited (to no more than $10,000 in total per year).**

  Consider paying, by December 31, 2017, your December property taxes, your 2017 4th quarter estimated state and local income tax installments and any additional state and local taxes you expect to owe on April 15th 2018 that relates to 2017. However, if you are an AMT (Alternative Minimum Tax) taxpayer in 2017, this technique may not produce any benefits.

- **Many itemized deductions will no longer be deductible between 2018-2025. The deductions include those for investment expenses, tax preparation costs and unreimbursed employee business expenses.**

  Consider paying such expenses by December 31, 2017. It will be the last chance until 2026 to potentially be able to deduct such costs.

- **Alimony pursuant to a divorce or separation occurring after December 31, 2018 will not deductible by the payor spouse and not be included in income by the recipient spouse.**

  If a couple is considering a separation or divorce it may make more economic sense in most instances to have the current rules apply (deductible by the payor spouse and income of the recipient spouse.) To achieve that result the divorce or separation would need to be accomplished by December 31, 2018.

- **Medical Expenses for 2017 and 2018 are now subject to a 7.5% threshold instead of 10%.**

  To the extent possible, those with significant medical expenses should try to bunch most of the expenses in one year (2017 or 2018) to get the largest benefit.

- **Mortgage Interest deductions will be curtailed through 2025; only interest on $750,000 (vs $1,000,000 in 2017) of acquisition indebtedness will be deductible. Mortgages existing prior to December 15th, 2017, however, will be grandfathered as well as a refinancing of such mortgages. The interest on home equity loans will not be deductible 2018-2025.**

  There is an opportunity for those that entered into a binding written contract prior to December 15, 2017 to purchase a principal residence before January 1, 2018. As long as the purchase occurs prior to April 1, 2018 the indebtedness will be grandfathered also and interest on indebtedness up to $1,000,000 will be deductible.

- **After December 31, 2017 no charitable deductions are permitted for college athletic seating rights.**

  If possible make your payments by December 31, 2017. Also since tax rates are higher in 2017 for many people it may be more beneficial to make contributions in 2017 rather than in future years.

- **Effective January 1, 2018 the estate, gift and generation skipping tax exemption will more than double to $11.2 million, this amount is subject to inflation increases but will expire January 1, 2026.**

  If you plan on making very large gifts, you should consider making them after 2017.

- **After 2017 the "Kiddie Tax" will no longer be applied at the parents' tax rate, the tax will be applied using the very unfavorable trust rate schedule.**

  For many younger children the trust rate schedule is less attractive than being taxed at the parents' marginal tax rate. It may be beneficial for some, in light of the higher estate tax exemption, for

parents or grandparents not to make annual gifts to their young children and grandchildren who are subject to the "kiddie tax" since investment income on the "kiddies" assets could be taxed at a higher rate.

- **Net operating losses (NOL) arising in years after 2017 will only offset 80% of income in any year and such losses will only be able to be carried forward. Such losses will be able to be carried forward indefinitely.**

  If desirable, generating a loss in 2017, rather than 2018, will permit a taxpayer to carry the loss back for two years.

- **A new limitation on the deductibility of "excess business losses" of individual taxpayers will apply starting in 2018. To the extent business losses exceed $250,000 for an individual or $500,000 for a married filling joint filer, such excess will not be currently deductible but be carried over as an NOL to a subsequent year.**

  To the extent possible generate a loss in 2017 instead of 2018.

- **"Carried Interest" holding period has been expanded to 3 years.**

  This new rule is effective starting in 2018. So it may be beneficial for some partners who have a "carried interest" in a partnership to have the entity dispose of some of its property by December 31, 2017 to avoid possible short-term capital gain treatment by such partner in a subsequent year.

- **Bonus Depreciation is raised to 100% of the cost of eligible property purchased and placed in service after September 27, 2017, and it applies to either new or used property. After 2022 the bonus percentage will begin to be phased-out.**

  Since the 100% bonus depreciation rules apply immediately it might make sense to make purchases in 2017 to offset income subject to the higher 2017 tax rates.

- **Effective starting in 2018, non-S corporations will be subject to a flat 21% tax.**

  If possible, a corporation should accelerate deductions into 2017 and defer income to 2018.

  The dynamics of whether to be taxed as a corporation substantially changed with the new tax act.

- **Like-kind exchanges will no longer apply to personal property after December 31, 2017.**

  Do a trade of personal property prior to 2018 if you desire "like-kind" treatment.

- **Beginning in 2018 businesses with $25,000,000 or less of revenue are not required to use the accrual method of accounting, keep inventories or use the uniform capitalization rule.**

  Businesses that are using the accrual method should consider changing their method of accounting in 2018.

- **Patents, inventions, models or designs will no longer be considered a capital asset after 2017.**

  Sales of patents, inventions etc. should be made by December 31, 2017.

- **Businesses will no longer to be able to deduct any portion of the cost of tickets to sporting and other entertainment events after December 31, 2017.**

  Businesses should consider paying for tickets in 2017 and possibly review their future obligations.

Earlier versions of the tax act had provisions which did not make it in the final act. These provisions did not change from current law:

- *Recovery periods of residential and non-residential real property continue to be 27.5 and 39 years respectively.*
- *The Sale of a principal residence exclusion of gain is still $250,000 for individual s and $500,000 for married filing jointly filers.*
- *Basis will continue to be stepped up to fair market value at death*
- *Retirement Contribution limits are the same with the normal cost of living index increases.*
- *The first-in first-out method for stock sales is not mandatory so taxpayers can continue to use the specific identification of securities method.*
- *The alternative minimum tax (AMT) is still around. Exemptions and phase-out of the exemptions were liberalized though.*