

**Retirement Resources  
Auburn Hills, Michigan**

**The White House Tax Proposal  
2017 Tax Reform for Economic  
Growth and American Jobs**

Wednesday, May 17th, 2017 / 10:00am to 11:00am

# Tax Reform Proposal

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Walt has assisted businesses, their owners, high net worth individuals and their families with qualified and non-qualified deferred compensation planning for over 35 years. Walt also provides comprehensive estate, gift, and income tax planning and tax return compliance services to a wide range of businesses and individuals.

# Tax Reform Proposal



## 2017 Tax Reform for Economic Growth and American Jobs

*The Biggest Individual And Business Tax Cut In American History*

### *Goals For Tax Reform*

- Grow the economy and create millions of jobs
- Simplify our burdensome tax code
- Provide tax relief to American families—especially middle-income families
- Lower the business tax rate from one of the highest in the world to one of the lowest

### *Individual Reform*

- Tax relief for American families, especially middle-income families:
  - Reducing the 7 tax brackets to 3 tax brackets of 10%, 25% and 35%
  - Doubling the standard deduction
  - Providing tax relief for families with child and dependent care expenses
- Simplification:
  - Eliminate targeted tax breaks that mainly benefit the wealthiest taxpayers
  - Protect the home ownership and charitable gift tax deductions
  - Repeal the Alternative Minimum Tax
  - Repeal the death tax
- Repeal the 3.8% Obamacare tax that hits small businesses and investment income

### *Business Reform*

- 15% business tax rate
- Territorial tax system to level the playing field for American companies
- One-time tax on trillions of dollars held overseas
- Eliminate tax breaks for special interests

### *Process*

- Throughout the month of May, the Trump Administration will hold listening sessions with stakeholders to receive their input and will continue working with the House and Senate to develop the details of a plan that provides massive tax relief, creates jobs, and makes America more competitive—and can pass both chambers.

# The Proposals

# Proposed Provisions

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- Individual Income Taxes
- Estate and Gift Taxes
- Business Taxes
- Affordable Care Act (ACA) Tax Repeal

# Individual Income Tax Proposals

# Individual Income Tax Proposals

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- Individual Income Tax Rates
  - Replace 7 Current Brackets
    - 10%, 15%, 25%, 28% 33%, 35% 39.6%
  - With 3 Proposed Brackets:
    - 10%, 25%, and 35%
  - See attached Table of Tax Rate Brackets care of the Brookings Institute per Trump the Candidate

# Individual Income Tax Proposals

## Trump the Candidate

**Tax Rates under Current Law and Trump the Candidate Tax Rate Brackets care of the Brookings Institute**  
**Among tax filers claiming the standard deduction, 2016<sup>a</sup>**

### Single Individuals – AGI and Rates

Over	Less Than	Current	Trump
0	10,350	0	0
10,350	15,000	10	0
15,000	19,625	10	12
19,625	48,000	15	12
48,000	52,500	25	12
52,500	101,500	25	25
101,500	127,500	28	25
127,500	200,500	28	33
200,500	423,700	33	33
423,700	425,400	35	33
425,400	and over	39.6	33

### Married Individuals – AGI and Rates

Over	Less Than	Current	Trump
0	20,700	0	0
20,700	30,000	10	0
30,000	39,250	10	12
39,250	96,000	15	12
96,000	105,000	25	12
105,000	172,600	25	25
172,600	252,150	28	25
252,150	255,000	33	25
255,000	433,750	33	33
433,750	487,650	35	33
487,650	and over	39.6	33

Tax filers who itemize deductions would not benefit from the revised Trump plan's increase in the standard deduction and would thus face tax brackets different from those shown in this table.

The lowest tax bracket under current law covers the standard deduction plus personal exemptions: \$6,300 + \$4,050 for single filers and \$12,600 + \$8,100 for childless married couples filing jointly. It does not include the additional standard deduction for elderly or blind people (which is consolidated, along with taxpayer personal exemptions, into the higher standard deduction of \$15,000 for single filers and \$30,000 for married couples filing jointly under the revised Trump plan).

Source: Urban-Brookings Tax Policy Center based on the revised Trump plan and IRS tax brackets



# Individual Income Tax Proposals

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- Proposal
  - Standard Deduction
  - Double the exemption amount
  - Single Standard Deduction goes from:
    - \$6,350 to
    - \$12,700
  - Married Filing Joint Standard Deduction goes from
    - \$12,700 to
    - \$25,200

# Individual Income Tax Proposals

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- Proposal
  - Itemized Deductions
    - ~~Real Estate Taxes~~
    - ~~Car License Plate Fees~~
    - ~~Income Taxes~~
    - Mortgage Interest
    - ~~Investment Interest~~
    - Charitable Donations
    - ~~Investment Expenses~~
    - ~~Unreimbursed Employee Expenses~~

# Individual Income Tax Proposals

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- Additional Proposals Regarding Individuals
  - Repeal the Alternative Minimum Tax (AMT)
    - The AMT was effective a tax on the itemized deductions proposed to be repealed
    - Makes sense to repeal the AMT
  - Provide tax relief for families with child and dependent care expenses
    - Credits?
    - Deductions?
    - Exemptions?

# Estate and Gift Tax Proposals

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- Current Estate Tax System –
  - 40% top tax rate attributable to taxable estates greater than \$5,490,000 (effectively \$10,980,000 for married couples)
  - Similar for gifts
  - Similar for generation skipping transfers
  - Annual Exclusion \$14,000

# Estate and Gift Tax Proposals

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- Proposal
  - Repeal the Death Taxes
  - Trump the Candidate Proposal
    - Repeal Estate Tax
    - Eliminate Tax on Capital Gains at Death equal to current Exemptions from Estate Tax, i.e., \$5,490,000

# Business Tax Proposals

# Business Tax Proposals

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- Reduce Top Tax Rate on Business to 15%
- Change from “world-wide” taxation to “territorial” taxation
- Tax on unrepatriated earnings
- Eliminating special interest tax-breaks



# Business Tax Proposals

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- Trump the Candidate Proposal to Reduce Top Tax Rate on Business to 15%
  - Reduce corporate rates ranging from 15% to 35% to 15%
  - Tax “flow-through” income at 15%
    - Tax paid by entity or owners?
    - Distributions taxable or not?
    - Differentiating wages taxable at 15%, flow through at 35%

# Business Tax Proposals

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- World-wide vs. territorial
  - World wide – tax on world wide income, offset by tax paid to foreign countries
  - Territorial – tax on U.S. earnings
- Repatriation of foreign earnings
  - Tax on any previously untaxed income
  - This goes hand in hand with the switch to territorial
- Elimination of Special Interest Tax Breaks
  - Carried Interests?

# ACA Proposed Repeal

# ACA Repeal Proposal

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- Current ACA Taxes
  - Applies to taxpayers above the Limit
    - \$200,000 for single earners
    - \$250,000 for joint filers
  - 3.8% tax on “investment earnings” above the limit
    - Interest and dividend;
    - Capital gains;
    - Passive income from flow-through entities
  - 0.9% additional tax on wages above the limits
  - Not clear if the additional 0.9% will be repealed

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