

# IT'S ASCENTIAL TO KNOW



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Mike Owens  
Financial Advisor

## TAX REFORM BASICS

By Mike Owens

The Tax Cuts and Jobs Act which was passed by Congress in the 11th hour of 2017 has received much attention by the media, and its impact on taxpayers will be largely dependent upon individual circumstances. While some provisions are permanent, such as the changes to corporate tax law, the repeal of the individual healthcare mandate, and the change in the inflation benchmark for tax bracket calculation, many of the items related to individuals will expire in 2025 absent further Congressional action.

## INDIVIDUALS

### Individual Tax Brackets

The 7-bracket structure was retained, but the tax brackets have been shifted, with all rates except the 10% and the 35% bracket trimmed down by 1-4% (See chart on page 2).

### AMT

The alternative minimum tax remains, however the number of people affected will be reduced dramatically due to an increased exemption, a higher income phaseout, and more limited itemized deductions.

### Healthcare Mandate

The bill eliminates the individual healthcare mandate created by the Affordable Care Act, so the penalty for being uninsured goes away.

### Trust Tax Brackets

Reduced from 5 brackets to 4, with the top bracket

reduced from 39.6% to 37%. Trust income over \$12,500 falls into the new 37% bracket.

### Estate & Gift Tax

The federal estate and gift tax rates were left unchanged; however, the unified estate and gift tax exemption amount was doubled, from \$5.6 million to \$11.2 million individual and \$22.4 million for married couples, meaning fewer estates will be subject to federal tax.

### Kiddie Tax

Rather than adding a child's unearned income over \$2100 to the parents' income to be taxed at the parents' top rate, now this income will be taxed using the trust tax brackets.

### Standard Deduction

The standard deduction was basically doubled to \$12,000 individual, \$18,000 head of household, and \$24,000 married, with those who are over 65, blind or disabled receiving an additional \$1,300 deduction. Personal exemptions are going away however, which is an offset to the increased standard deduction. For example: A married couple under the old law would have \$12,700 standard deduction + \$8,100 personal exemptions, or \$20,800 in deductions. Therefore, the new \$24,000 standard deduction is only a \$3,200 (15%) increase. For families currently claiming exemptions for multiple people, the new standard deduction may even be less than the previous combination of standard deduction and personal exemptions.

### Child Tax Credit

This has been increased from \$1,000 to \$2,000 per qualifying child under age 17. Plus, for those who don't actually owe any tax, the credit is refundable up to \$1,400 per child. There is also a new \$500 nonrefundable credit for "non-qualifying" dependents such as older dependent children or even parents being cared for. Income phaseout on this are also increased from \$75K to \$200K individual and \$110K to \$400K married.

### Itemized Deductions

Several changes were made including:

- **"SALT" deduction** - \$10,000 cap on State and Local Income & Property Tax Deduction which applies to both individuals and married couples, and reduced to \$5000 for married filing separately.
- **Mortgage interest deduction** - has been limited to only the first \$750K of mortgage principal. This only applies to new mortgages taken out after December 15, 2017. The home equity indebtedness interest deduction goes away unless the loan funds were used for acquiring, building or substantially

improving the primary residence.

- **Charitable deduction** - maximum deduction increased from 50% to 60% of Adjusted Gross Income (AGI).
- **Medical expense deduction** - the 10% of AGI threshold is temporarily reduced to 7.5%, for 2017 and 2018 taxes only (at this point).
- **Miscellaneous itemized deductions** - all of these previously eligible deductions were taken away, which includes investment advisory fees, tax preparation expense, unreimbursed employee business expense, trustee fees, etc. These deductions are still available for businesses however.

### 529 Plan Distributions

In addition to being used for higher education expenses, these funds can now be used for qualified private elementary and secondary expenses up to \$10,000 per student each year.

### Capital Gains

The preferential tax treatment for capital gains was kept, however the rate will continue to be based on the old income figures for the

respective brackets which do not line up neatly with the new brackets. It may be that they re-align the capital gains rules with the new brackets at some point.

## BUSINESSES

### Corporate Tax Rates

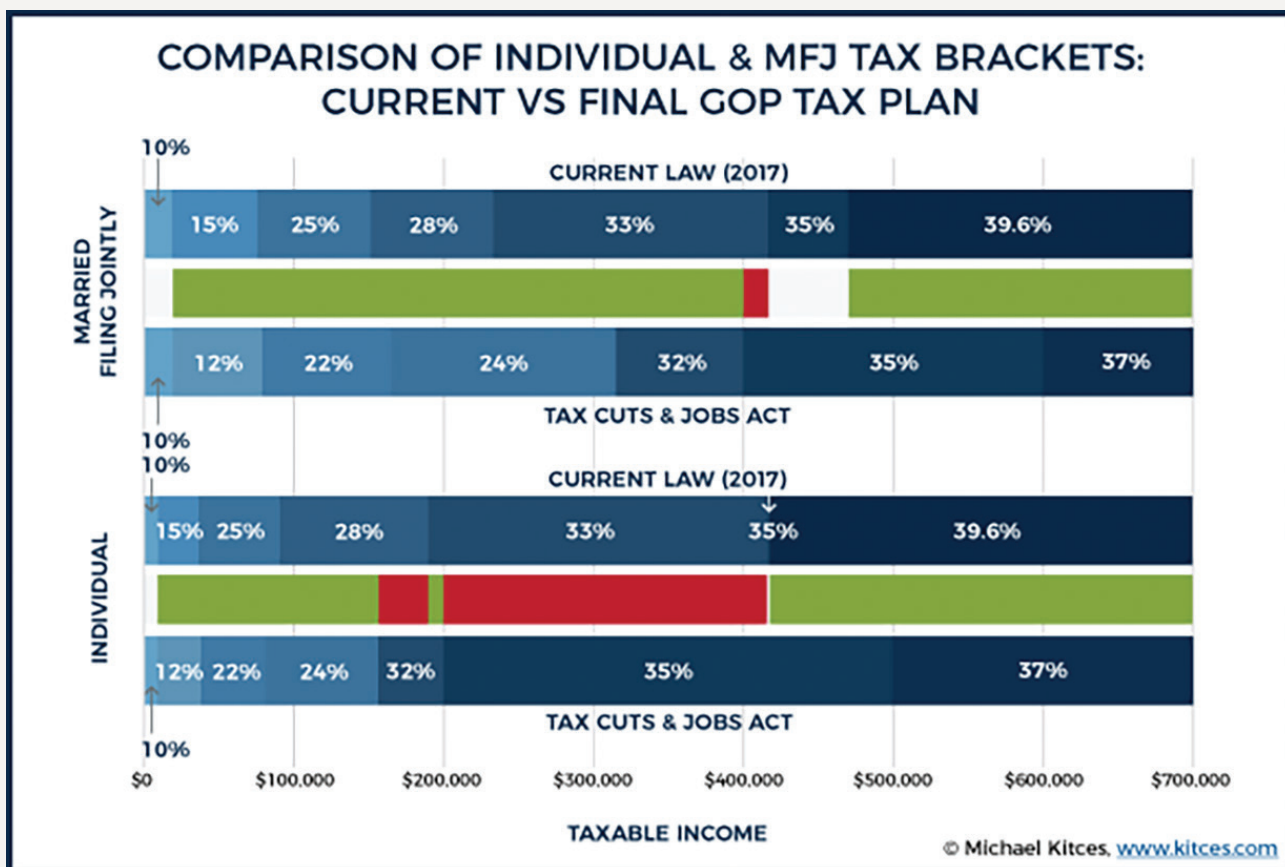
Corporation's highest marginal tax rate will be lowered from 35% to 21%, the largest one-time cut in history. Corporate AMT will be repealed.

### Qualified Business Income Deduction

So called "pass through entities" such as partnerships, limited liability companies, sole proprietorships and S corporations will receive a 20% deduction for "Qualified Business Income," which excludes wages for business owners and investment income. This deduction does not apply to many service businesses as defined by the IRS (i.e. financial services, lawyers, accountants, healthcare, athletics, performing arts, consulting).

### Capital Expenditures

Businesses will be able to take a 100% deduction of capital expenditures for five years.





## RAYMOND JAMES – KEEPING YOUR PERSONAL INFORMATION SAFE

By Dan Maki

With data breaches such as the one at Equifax in the headlines, information security is top of mind for financial services firms. Raymond James is committed to keeping clients' information safe. In fact, they offer the following promise to clients:

***"We want you to have the highest level of confidence in doing business with us. That's why we offer you this assurance: We will reimburse you for actual losses in any of your Raymond James accounts due to unauthorized access to a Raymond James system that occurs through no fault of your own."***

In addition to standard security measures, Raymond James also employs a variety of additional safety measures. They have a cyberthreat security center run by certified information security analysts, perform regular vulnerability testing on networks and servers, utilize encryption, secure virtual private networks and the latest firewall and antivirus software, and have quarterly technology reviews conducted by independent auditors.

You can find out more about how Raymond James protects clients at:  
[raymondjames.com/privacy\\_security](http://raymondjames.com/privacy_security)



**Daniel Maki**  
Financial Advisor

## DOCUMENT STORAGE IN THE VAULT

By Barb Perrault



**Barb Perrault**  
Client Services Manager

Raymond James has a new service offered to clients called the Vault. The Vault is an online document sharing and storage platform available to Raymond James Investor Access users. The Vault can be used to share information with us and can also be used as a secure location to store electronic copies of important personal documents. Storing documents to the Vault is a simple option to keep your files centralized, accessible by you online from any location, and serves as a back-up if physicals are lost or destroyed. Examples of documents that can be stored include:

- Insurance Policies
- Tax Returns
- External Account Statements
- Mortgage Information
- Legal Documents (wills, trusts, deeds, Power of Attorney documents)

In today's world the security of private information is on everyone's minds. The Vault program is secured by Raymond James state of the art systems and backed by their commitment to keeping your information safe. If you would like to learn more please contact us to walk you through this exciting program.

### DID YOU KNOW?

- Since 1950, Congress has raised the top individual marginal tax rate 4 times — most recently in 2013 when they raised the top rate from 35% to 39.6%. Prior to 2017, they have lowered the top individual rate 9 times — last in 2003 when they dropped it from 38.6% to 35%. (IRS)
- So called "mandatory spending" (Social Security, Medicare, and Medicaid) and interest on the national debt account for 74% of the US government's projected spending over the next decade. (Congressional Budget Office)



# 529 Investment Plan

## College Savings Application

... regarding 529 Investment Plans.

### NEW! 529s BECOME MORE ATTRACTIVE FOR MN RESIDENTS

Beginning in the 2017 tax year, Minnesota taxpayers now have an option to claim either a tax credit or deduction for contributions to any state 529 plan. Contributions by Minnesota residents to 529 plans sponsored by states other than Minnesota do qualify.

- Tax deduction - married couples filing jointly can deduct up to \$3,000 for contributions to a qualified 529 account. The deduction is \$1,500 for all other filers.

- Tax credit - a tax credit equal to 50% of the contributions to the account, reduced by any withdrawals, can be claimed with a maximum credit of \$500. This credit is subject to an income phaseout beginning at \$75,000 adjusted gross income.

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