

# **FEDERAL TAX REFORM – WHAT IT MEANS FOR YOU!**

**Presented by:**

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**Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.®**

## **JAMES J. HOLTZMAN, CFP®**



**James J. Holtzman, CFP®, is a Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.® and Emerging Wealth Investment Management, Inc.®**

**Jim has been selected nine consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”**

**Mr. Holtzman has been selected five times by *Dental Products Report* as one of “The Best Financial Advisors for Dentists in America”.**

**Jim has also been previously selected three times by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.**

**With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.**

**Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.**

**Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.**

**Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.**

**Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.**

# **TAX CUTS AND JOBS ACT**

- 1. Corporate Tax Reforms Are Permanent**
- 2. Individual Tax Law Changes Are Mostly Scheduled To Sunset After 2025**

# **IMPORTANT DATES**

- 1. House of Representatives Passed Bill: December 17, 2017**
- 2. Senate Passed Bill: December 20, 2017**
- 3. House Of Representatives Passed Revised Senate Version:  
December 20, 2017**
- 4. President Trump Signed Bill Into Law: December 22, 2017**

# **TAXABLE INCOME CALCULATION**

- 1. Gross Income**
- 2. Less: Above Adjusted Gross Income Deductions**
- 3. Less: Greater Of Itemized Deductions Or Standard Deduction**
- 4. Less: Personal Exemptions (Goes Away In 2018)**
- 5. Equals: Taxable Income**

# 2017 TAX RATE SCHEDULE

<b>Tax Rate</b>	<b>Single Filers – Taxable Income</b>	<b>Married Filing Jointly – Taxable Income</b>
<b>10%</b>	<b>\$0 to \$9,325</b>	<b>\$0 To \$18,650</b>
<b>15%</b>	<b>\$9,326 To \$37,950</b>	<b>\$18,651 To \$75,900</b>
<b>25%</b>	<b>\$37,951 To \$91,900</b>	<b>\$75,901 To \$153,100</b>
<b>28%</b>	<b>\$91,901 To \$191,650</b>	<b>\$153,101 To \$233,350</b>
<b>33%</b>	<b>\$191,651 To \$416,700</b>	<b>\$233,351 To \$416,700</b>
<b>35%</b>	<b>\$416,701 To \$418,400</b>	<b>\$416,701 To \$470,700</b>
<b>39.6%</b>	<b>More Than \$418,400</b>	<b>More Than \$470,700</b>

# 2018 TAX RATE SCHEDULE

<b>Tax Rate</b>	<b>Single Filers</b>	<b>Married Filing Jointly</b>
<b>10%</b>	<b>\$0 to \$9,525</b>	<b>\$0 To \$19,050</b>
<b>12%</b>	<b>\$9,526 To \$38,700</b>	<b>\$19,051 To \$77,400</b>
<b>22%</b>	<b>\$38,701 To \$82,500</b>	<b>\$77,401 To \$165,000</b>
<b>24%</b>	<b>\$82,501 To \$157,500</b>	<b>\$165,001 To \$315,000</b>
<b>32%</b>	<b>\$157,501 To \$200,000</b>	<b>\$315,001 To \$400,000</b>
<b>35%</b>	<b>\$200,001 To \$500,000</b>	<b>\$400,001 To \$600,000</b>
<b>37%</b>	<b>More Than \$500,001</b>	<b>More Than \$600,001</b>

# 2017 TRUSTS AND ESTATES

<b>Tax Rate</b>	<b>Trust And Estate Filers</b>
<b>15%</b>	<b>\$0 to \$2,550</b>
<b>25%</b>	<b>\$2,551 To \$6,000</b>
<b>28%</b>	<b>\$6,001 To \$9,150</b>
<b>33%</b>	<b>\$9,151 To \$12,500</b>
<b>39.6%</b>	<b>More Than \$12,501</b>



# 2018 TRUSTS AND ESTATES

<b>Tax Rate</b>	<b>Trust And Estate Filers</b>
<b>10%</b>	<b>\$0 to \$2,550</b>
<b>24%</b>	<b>\$2,551 To \$9,150</b>
<b>35%</b>	<b>\$9,151 To \$12,500</b>
<b>37%</b>	<b>More Than \$12,501</b>

# STANDARD DEDUCTION/PERSONAL EXEMPTION – 2017

## PERSONAL AND DEPENDENCY EXEMPTION: \$4,050.00

### Standard Deductions

<b>Married/Joint</b>	<b>\$12,700.00</b>
<b>Single</b>	<b>\$6,350.00</b>
<b>Head Of Household</b>	<b>\$9,350.00</b>
<b>Dependents</b>	<b>\$1,050.00</b>
<b>Married/Separate</b>	<b>\$6,350.00</b>

For dependents with earned income, the deduction is greater of \$1,050.00 or earned income +\$350.00 (up to \$6,350.00)

### ADDITIONAL STANDARD DEDUCTIONS

<b>Married, Older Than Age 65 or Blind</b>	<b>\$1,250.00*</b>
<b>Single, Older Than Age 65 (Per Person) or blind</b>	<b>\$1,550.00</b>

\*Per Person

# STANDARD DEDUCTION FOR 2018

<b><u>Standard Deductions</u></b>	
<b>Married/Joint</b>	<b>\$24,000.00</b>
<b>Single</b>	<b>\$12,000.00</b>
<b>Head Of Household</b>	<b>\$18,000.00</b>
<b>Dependents</b>	<b>\$1,050.00</b>
<b>Married/Separate</b>	<b>\$12,000.00</b>

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<b>Single, Older Than Age 65 (Per Person) or blind</b>	<b>\$1,550.00</b>

\*Per Person

# **PERSONAL EXEMPTION**

**The Personal Exemption Has Been Repealed.**

# **QUALIFIED DIVIDENDS AND LONG-TERM CAPITAL GAIN RATES**

## **1. Old Rates Are Retained**

- a. 0.0%**
- b. 15.0%**
- c. 20.0%**

## **2. Will Use Old Tax Bracket Thresholds**

## **3. Example: 0.0% Rate:**

- a. Old Law: For 10% and 15% Brackets**
- b. New Law: 10% Bracket And Most Of 12% Bracket**

# **ITEMIZED DEDUCTIONS**

- 1. 46 Million Taxpayers Itemized In 2016**
- 2. Estimated 13 Million Taxpayers Will Itemize in 2018**

# **MORTGAGE INTEREST**

- 1. Applies To Mortgage Entered Into After December 15, 2017.**
- 2. Deduction For Interest Is Limited To The First \$750,000.00 Of Debt.**
- 3. Existing Mortgages Of Balances Up To \$1,000,000.00 Are Grandfathered.**
- 4. Applies Up To Two Homes.**

# **HOME EQUITY INTEREST**

- 1. Eliminates Interest Deduction For Home Equity Indebtedness**
- 2. Home Equity Indebtedness – Money From Home Equity Used For Anything Other Than Acquiring, Building, Or Substantially Improving The Residence**
- 3. No Grandfathering For Existing Debt**



# **CHARITABLE CONTRIBUTIONS**

- 1. Cash Donations To Public Charities Are Deductible Up To 60% Of Adjusted Gross Income (AGI).**
- 2. Old Law - Limited To 50% Of AGI**
- 3. Still Can Carryforward Unused Deductions**
- 4. Deduction Of 80% Of Amount Paid For The Right To Buy Athletic Tickets Has Been Repealed.**

# **MEDICAL EXPENSES**

- 1. For 2017 And 2018, Deductible If Greater Than 7.5% Of AGI.**
- 2. After 2018, The Deduction Goes Back To 10.0% Of AGI.**

# **PERSONAL CASUALTY LOSSES**

- 1. No Longer Deductible**
- 2. If The President Declares A Disaster, Then 10.0% Of AGI Rules Still Applies.**

# MISCELLANEOUS ITEMIZED DEDUCTIONS

1. No Longer Deductible
  
2. Examples:
  - a. Tax Preparation Fees
  - b. Investment-Related Expenses
  - c. Safe Deposit Box Rental
  - d. Union Dues

# **PHASEOUT OF ITEMIZED DEDUCTIONS**

**Repealed**

# **STATE AND LOCAL INCOME TAXES AND REAL ESTATE TAXES**

**1. \$10,000.00 Cap For The Following:**

**a. State Income Taxes**

**b. Local Income Taxes**

**c. Real Estate Taxes**

# **ALIMONY**

- 1. Deduction Is Disallowed For The Payor**
- 2. Income No Longer Taxable To The Recipient**
- 3. For Divorces Entered Into After 2018**

# **MOVING EXPENSES**

- 1. No Longer Deductible**
- 2. Exception: Armed Forces Moving Due To Military Order**



# **CHILD TAX CREDIT**

- 1. \$2,000.00 Per Qualifying Child (From \$1,000.00)**
- 2. For Children Under Age 17**
- 3. \$500.00 Credit For Qualifying Dependents But Not Qualifying Child**
- 4. Phaseouts Apply:**
  - a. \$400,000.00 For Couples (\$110,000.00 – Current)**
  - b. \$200,000.00 For All Other Taxpayers (\$55,000.00 – Current)**

# **PASS-THROUGH INCOME**

- 1. 20.0% Deduction Of Qualified Business Income**
  
- 2. Applies To:**
  - 1. Partnerships**
  - 2. S Corporation**
  - 3. Sole Proprietorship**
  - 4. Limited Liability Company (LLC)**
  - 5. Limited Liability Partnership (LLP)**
  
- 3. 20.0% Is Capped At The Greater Of:**
  - a. 50.0% Of The Amount Of Wages Paid To Employees**
  - b. 25.0% Of Wages Paid To Employees And 2.5% Of The Cost Of Depreciable Property Owned By The Business.**

# **PASS-THROUGH INCOME**

- 4. Below-The-Line Deduction But Not An Itemized Deduction**
- 5. Will Reduce Taxable Income**
- 6. Phase-Out Of Deduction For Specified Service Businesses**
  - a. Taxpayers With Taxable Income Beyond \$157,500.00 For Single**
  - b. Taxpayers With Taxable Income Beyond \$315,000.00 For Married Filing Jointly**

# **SECTION 1031**

- 1. Tax-Free Exchange**
- 2. Only For Real Estate**
- 3. Formerly Used For Investment Property Like Boat, Planes, Etc.**

# **IRA RECHARACTERIZATIONS**

- 1. Repealed For Roth IRA Conversion**
- 2. Starts With The 2018 Tax Year**
- 3. Can Still Recharacterize Traditional Or Roth IRA Contribution**

# **KIDDIE TAX**

- 1. Applies To Non-Earned Income Over A Specific Threshold**
- 2. Will Be Taxed Under Trust Tax Rates.**
- 3. Used To Be Taxed At The Parent's Tax Rates**

# **Section 529 Plans**

- 1. Can Be Used To Cover The Cost Of K-12 Expenses**
- 2. Limited To Annual \$10,000.00 Distribution Per Child**

# **529A ABLE ACCOUNTS**

- 1. Provide Tax-Free Distributions For Disabled Beneficiaries For Qualified Disability Expenses**
- 2. Contribute Up To The Annual Gifting Limit**
- 3. Meant To Supplement Private Insurance And Medicaid**
- 4. 27 States And Washington D.C. Offer ABLE Accounts**
- 5. Now Taxpayers Can Roll Over 529 Plan To A 529A ABLE Account As Long As The Beneficiary Is The Same**
- 6. Transfers To 529 ABLE Accounts Are Limited To Annual Gift Exclusion (\$15,000.00)**



# **529A ABLE ACCOUNTS - CONTRIBUTIONS**

- 1. Beneficiary Can Make Contribution Above Annual Contribution Limit If They Have Earned Income**
- 2. Beneficiary Must Not Contribute To Employer-Sponsored Retirement Plan**
- 3. Maximum Contribution of Employment Income Is: Lessor Of:**
  - 1. 100% Of Their Compensation Or**
  - 2. Federal Poverty Line Threshold For A One-Person Household (\$12,060.00 In 2018)**

# **FEDERAL ESTATE TAX EXEMPTION**

**Increase From \$5.6 Million To \$11.2 Million Per Person**

# **STATE ESTATE TAXES**

**Some States Are Tied To The Federal Estate Tax Exemption**

# **COST-OF-LIVING ADJUSTMENTS**

- 1. Current Inflation Adjustment – Consumer Price Index For All Urban Consumers (CPI-U)**
  - a. Takes Into Account The Buying Habits Of Individuals And Households.**
  
- 2. New Inflation Adjustment – Chained Consumer Price Index**
  - a. Takes Into Account The Buying Habits Of Individuals And Households.**
  - b. Introduces Substitution Bias – If Price Gets Too Expensive, Chained CPI Assumes That Consumers Will Switch To Cheaper Good Or Service**

# **ALTERNATIVE MINIMUM TAX (AMT) - EXEMPTION**

## **1. Married Filing Joint:**

- 1. 2017: \$84,500.00**
- 2. 2018: \$109,400.00**

## **2. Single:**

- 1. 2017: \$54,300.00**
- 2. 2018: \$70,300.00**

# **ALTERNATIVE MINIMUM TAX (AMT) – EXEMPTION PHASE-OUT**

## **1. Married Filing Jointly:**

- 1. 2017: \$160,900.00**
- 2. 2018: \$1,000,000.00**

## **2. Single:**

- 1. 2017: \$120,700.00**
- 2. 2018: \$500,000.00**

# **C Corporations**

**Tax Rate Reduced From 35.0% To 21.0%**

# **BONUS DEPRECIATION**

- 1. For Property Purchased (Can Now Be Used-Property)**
- 2. 100% After September 27, 2017 And Before 2023.**
- 3. 80% For 2023**
- 4. 60% For 2024**
- 5. 40% For 2025**
- 6. 20% For 2026**
- 7. 0% For 2027 And Beyond**



# SECTION 179

## 1. Old:

1. Expenses Up To \$500,000.00
2. If Total Assets Placed In Service Do Not Exceed \$2 Million.

## 2. New:

1. Expenses Up To \$1,000,000.00
2. If Total Assets Placed In Service Do Not Exceed \$2.5 Million.

# **BUSINESS – NET OPERATING LOSSES**

- 1. Carryback Of Net Operating Losses (NOL) Is Repealed**
- 2. Carryforward NOL Forward Indefinitely (Now Is 20 Years)**
- 3. 80.0% Of Current Income Can Be Offset With NOL Carryforward**

# **CORPORATE ALTERNATIVE MINIMUM TAX**

**Repealed**

# **BUSINESS DEDUCTIONS**

## **1. No Longer Deduct**

- 1. Entertainment Or Recreation Activities Or**
- 2. Membership Dues Related To Entertainment Or Recreation**

## **2. No Longer Deduct**

- 1. On-premise Gym Or**
- 2. Other Amenities For Employees That Are Personal**

# **EMPLOYEE TAXATION**

- 1. Employer-Reimbursed Moving Expenses Are Taxable**
- 2. Bicycling Commuting Expenses Are Taxable**

# **DEFERRED COMPENSATION**

- 1. Income Taxation Will Be Triggered Where There Is No “Substantial Risk Of Forfeiture”.**
- 2. This Means When It Is Vested And Not When It Is Paid**

# REPRATRIATION TAX

- 1. One-Time Tax On Accumulated, Untaxed Earnings On Foreign Earnings**
- 2. U.S. Companies' Overseas Income Held As Cash Is Subject To 15.5% Rate**
- 3. Non-Cash Holdings Are Subject To 8.0% Rate**

# **EARLY WITHDRAWAL PENALTY**

- 1. 10.0% Early Withdrawal Penalty From Retirement Plans**
- 2. Not Apply In 2016 And 2017 To Individuals Living In Presidentially-declared Disaster Areas**
- 3. Up To \$100,000.00**
- 4. Before 59 ½**
- 5. Repayment Of Distribution Can Be Made Within Three Years**



# **RETIREMENT PLAN LOAN - #1**

- 1. Old Rule: Upon Separation From Service, Could Be Required To Repay Loan**
- 2. Now: Eligible For Rollover To IRA Within 60 Days**

# **RETIREMENT PLAN LOAN - #2**

- 1. Old Rule: 60 Days To Repay Loan**
- 2. New Rule: Tax Return Filing To Repay Loan**

# **EARLIER PROPOSAL NOT IN FINAL BILL**

- 1. First In First Out (FIFO) Cost Basis Rule**
- 2. Personal Residence Sale Gain Exclusion**
- 3. Deduction For Teachers**
- 4. Family Credit Of \$300.00 Per Person**
- 5. Hope And Lifetime Learning Credits Stay**
- 6. American Opportunity Credit Stays**
- 7. Student Loan Interest Is Still Deductible**

# **EARLIER PROPOSAL NOT IN FINAL BILL**

- 8. Free Tuition And Cash To Employees Of Colleges Will Stay Tax-free**
- 9. US Savings Bonds Tax Exclusion On Interest If Used For Education Expenses Will Stay**
- 10. Employer Provided Education Assistance Is Still Tax-free**
- 11. Tax-deductible Contribution To Dependent Care Flexible Savings Accounts Stays**

# **EARLIER PROPOSAL NOT IN FINAL BILL**

- 12. Interest From Private Activity Bonds Is Still Taxable For AMT**
- 13. 529 Plan – Allowing Unborn Children To Be Named Beneficiaries Was Not Included.**
- 14. Credit For Plug-in Electric Drive Motor Vehicles Is Retained**
- 15. Coverdell Education Savings Accounts Stay**

# **ANNUAL GIFTING LIMIT**

**Increases To \$15,000.00 Per Done In 2018**

# **DONOR ADVISED FUNDS**

- 1. Could Become More Popular**
- 2. Funded With Large Tax-Deductible Upfront Gifts**
- 3. Invest Funds**
- 4. Delays Actual Distribution To Charity**

# **INDIVIDUAL HEALTH INSURANCE MANDATE**

**In 2019, No Penalty For Not Having Health Insurance**



# QUESTIONS AND ANSWERS

The image features the text "Q&A" in a 3D, blocky font. The letters "Q" and "A" are a vibrant red, while the ampersand "&" is a metallic grey. The characters are positioned on a white surface, casting soft, light grey shadows beneath them, which gives them a three-dimensional appearance. The overall style is clean and modern.



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