



Welcome to *Trust Connection*, our monthly newsletter highlighting Trust news and information. Each month we will feature timely articles of interest.

## About Us

At Halliday Private Trust, it is our mission to assist our clients in the process of providing solutions, specifically through a wide range of financial advice.

Since 1982, we have utilized a full spectrum of financial services to help our clients navigate every major hurdle in their financial lives. Because we are an independent financial services firm, we utilize an open architecture approach to locating the most suitable investment options for our clients.

Our role is to help clients make smart decisions about their money. We understand that each client has unique needs and requires personalized solutions based on their goals, objectives and concerns.

## What You Need to Know about the Tax Cuts and Jobs Act

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, a \$1.5 trillion package that will significantly reform both individual and corporate income taxation. According to the Tax Foundation, the act will spur an additional \$1 trillion in federal revenues from economic growth, increase Gross Domestic Product (GDP) by an average of 0.29 percent over the next decade, and lead to a 1.1 percent increase in after-tax income of all taxpayers.

The bill, known as H.R. 1, has nearly 430 pages of provisions that impact all forms of federal taxation. Here is a look at some of the more significant provisions and changes in the legislation:

### Individual Tax Provisions

- The new law retains the seven-bracket rate structure, but the bracket widths are modified. Most individual rates will be lowered, with the top marginal rate decreasing from 39.6 percent to 37 percent.
- Standard deductions are nearly doubled (from \$6,500 to \$12,000 for single filers, \$9,550 to \$18,000 for heads of household, and \$13,000 to \$24,000 for joint filers). However, personal exemptions are eliminated. This means that fewer taxpayers than ever will itemize on their returns.
- The child tax credit is doubled to \$2,000, and the phase-out is increased from \$110,000 to \$400,000 for joint filers.
- The deductions for mortgage interest and charitable deductions were retained, with some modifications. However the deduction for state and local taxes is capped at \$10,000 (\$5,000 for married taxpayers filing separately), and casualty losses are deductible only if the loss was caused by a presidentially declared disaster. Moreover, all miscellaneous itemized deductions have been eliminated.
- For divorces occurring after 2018, alimony payments are neither deductible by the payor, nor includible in income by the payee.
- Qualified moving expense reimbursements are now includible in income, unless the move was pursuant to a military order.
- "Unwinding" of a Roth conversion is no longer permitted.
- The individual mandate penalty from the Affordable Care Act is repealed effective January 1, 2019.
- The exemption from the individual alternative minimum tax (AMT) is raised from \$86,200 to \$109,400, and the phase-out threshold is increased to \$1 million.
- Pass-through businesses (LLCs, LLPs, S corporations) will be able to deduct 20 percent of non-salary business income. Certain service businesses in the fields of health, law, accounting, consulting, financial services, and athletics and performing arts (but not architecture or engineering) do not get the deduction if their income is over \$315,000.

## A LOCAL TRUST SOLUTION

Call us today at (800) 786-1598 to learn more about working with Halliday Private Trust.

For information and assistance, please feel free to contact one of our Trust Advisors:

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- The 529 college savings plans may now be used to pay for private elementary or secondary school. Also, rollovers are permitted from a 529 plan to a 529A ABLE savings plan.
- A child's net unearned income is now taxed at estate and trust tax rates, rather than the parents' marginal tax rate.
- The estate tax exemption is doubled to \$11.2 million.

Most, but not all, of the individual income tax changes will expire at the end of 2025.

### Business Tax Provisions

- The corporate income tax is permanently lowered to 21 percent, and the corporate AMT is repealed.
- The definition of property eligible for Sec. 179 expensing is broadened, and the maximum amount that may be expensed is increasing to \$1 million.
- The deduction for net operating losses (NOLs) is limited to 80 percent of taxable income, and the ability to carry back NOLs was repealed for all taxpayers except farming businesses.
- Certain employees can no longer elect to defer inclusion of income attributable to stock transferred to the employee under an equity grant program. The election must be made within 30 days after the right to the stock is vested or is transferable, whichever occurs first.
- Currently deferred foreign profits will be deemed repatriated and taxed at a rate of 15.5 percent for cash and equivalents, and eight percent for reinvested foreign earnings, over an eight-year period.
- Certain dividends paid by a foreign subsidiary to a U.S. parent corporation will be exempt from taxation.

### Planning Considerations

As with all major tax legislation, the Tax Cut and Jobs Act creates opportunities for advisors and tax professionals to suggest strategies to best take advantage of the new provisions. As in the past, planning is complicated by the fact that, absent passage of extender legislation or being made permanent, most of the changes affecting individuals will sunset after 2025. Here are some things to consider regarding the impact of the act on your income taxes.

- For people with ongoing businesses, consider whether the existing entity structure takes best advantage of the changes in the law, weighing the tax advantages of changing the structure against the cost of doing so.
- Consider preparing an estate tax analysis on the estate, comparing that amount of tax due after passage of the law with what it would have been last year. You may discover that some tax strategies currently in place are no longer needed or desirable, such as a bypass trust, the use of which misses the opportunity for a second step-up in basis at the death of second spouse.
- Because of the doubling of the estate tax exemption, focus will shift to the impact of state inheritance and transfer taxes. Don't neglect to take those into account when doing post-2017 estate planning.
- Because of the increase in the standard deduction, as well as the elimination or reduction of certain categories of deductions, the timing of charitable contributions will become more important. For example, bunching several years' worth of contributions into a single year may help a taxpayer itemize in at least some years.

The Tax Cut and Jobs Act is likely to affect anyone who pays taxes, regardless of their situation. Options for planning should be considered and discussed with your advisor.

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