Understanding Tax Reform:

Opportunities and Strategies

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 Information in this presentation is subject to change based on further interpretation of the law and guidance issued by the Internal Revenue Service.

Domestic High-Net-Worth

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Domestic High-Net-Worth

- Estate and Gift
  - Exemption for lifetime gifts and transfers at death doubled to $11.2 million for 2018, indexed for inflation
  - Exemption returns to original amount ($5.6 million plus inflation since 2018) in 2026 and later
  - Generation-skipping transfer tax exemption also increased (same as lifetime/estate tax exemption)

Domestic High-Net-Worth

- Individual rates and thresholds*
  - Top rate on ordinary income for individuals reduced to 37% for taxable income over
    - $600,000 MFJ or $300,000 MFS
    - $500,000 for other filers
  - Top rate on qualified dividends and LTCG still 20%
  - Net Investment Income Tax (Obamacare Tax) unchanged at 3.8% of net investment income

*New rates and thresholds apply from 2018-2025, then revert

Domestic High-Net-Worth

- Alternative Minimum Tax (AMT) for individuals*
  - Rate unchanged (top rate 28%)

	Exemption	Phase-out
Married filing jointly	$109,400	$1,000,000
Married filing separately	$54,700	$500,000
Other filers	$70,300	$500,000

*Increased phase-outs apply from 2018-2025, then revert

Domestic High-Net-Worth

- NOLs and loss limitations
  - Post-2017 NOLs can no longer be carried back
  - NOL deduction is limited to 80% of taxable income and carried forward indefinitely
  - Existing NOL carryovers carry into 2018 but are not subject to new 80% limitation
  - Excess Business Losses (EBL)*
    - Disallowance of aggregate of taxpayer's total business losses over total business income in excess of $500,000 MFJ or $250,000 other filers
    - Any disallowed EBL carried forward as NOL

* - In force from 2018-2025.

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Domestic High-Net-Worth

- 20% QBI deduction also available for:
  - Qualified publicly traded partnership income (most MLPs)
  - REIT dividends other than REIT capital gain dividends or qualified dividends

Domestic High-Net-Worth

- Itemized deductions
  - Favorable:
    - 3% of AGI limitation (a/k/a Pease limitation) no longer applicable*
    - Limitation on cash contributions to qualified charities increased to 60% of AGI*
  - Unfavorable:
    - State and local taxes capped at $10,000*
    - For new mortgages, interest deduction limited to interest on up to $750,000 of debt*
    - Interest on home equity loans not deductible.
    - Miscellaneous itemized deductions (e.g. employee business expenses, professional fees, investment advisory fees) no longer deductible*
    - Personal casualty losses not allowed unless property is located in a presidentially declared disaster area*

*Applies from 2018-2025, then reverts to pre-Act law

Domestic High-Net-Worth

- Other provisions
  - Kiddie tax – unearned income no longer based on parents' tax rates, but rather on trust tax rates
    - 37% bracket starts at $12,501 of taxable income
  - Alimony – no longer deductible to payor or taxable to recipient for divorce decrees, separation agreements, or nuptial agreements entered into after December 31, 2018
  - 529 plans – can be used to pay for up to $10,000 for K-12 public, private or religious school tuition per-year per-child

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