

Introduction to the *Tax Cuts and Jobs Act*: Overview of What the New Federal Tax Law Means for Your Business and You

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DISCLAIMER: These slides are meant for informational purposes only. They should not be relied upon as tax advice.









In this webinar...

Business tax changes

- o Rates
- o Accounting
- o Deductions
- o Credits

Individual tax changes

Rates
Accounting
Deductions
Credits





Business Tax Changes

Rates Accounting Deductions Credits









Business Rates – Corporations

	Tax rate	But not over	Over
	15%	\$50,000	\$0
	25%	75,000	50,000
		100,000	75,000
		335,000	100,000
			· ·
		10,000,000	335,000
)	35%	15,000,000	10,000,000
	38%	18,333,333	15,000,000
,	35%		18,333,333

2018 ALL taxable income will be taxed at 21%







Passthrough tax rates

- S-corps, sole-proprietors, partnerships, LLCs (not organized as corporations)
- Maintains 7 personal marginal tax rates
- Creates a new 20% passthrough deduction
 Section 199A
 - o "Between the line" deduction







Section 199A – 20% Passthrough Deduction



- Deduct up to 20% from Qualified Business Income
 Net Income
- All passthrough businesses up to \$157,500 single / \$315,000 joint
 - o Eligible for full 20% deduction
- Limitation 1 Professional Service Corporations
 - Limited over next \$50,000 single / \$100,000 joint
 - Excluded over \$207,500 single / \$415,000 joint
- Limitation 2 Larger Passthroughs
 - o Other industries over \$207,500 single / \$415,000 joint
 - $\circ~$ Limited to 50% of total W2 wages in the business







Business Accounting

Alternative Minimum Tax (AMT)

Repeals corporate AMT

Cash Accounting

• Expands from \$5 m to \$25 m

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Expensing / Depreciation

- Section 179 expensing doubles from \$510,000 to \$1 m
- 100% bonus depreciation of business property





Business Accounting – Withholding

• Business owners

Implement 2018 withholding tables ASAP
 Deadline – February 15, 2018

• Employees

Not required to take extra steps

o Should review withholding to ensure accuracy

• IRS

Revising Form W4; creating new W4 calculator
 Anticipate further changes to withholding in 2019









Business Deductions

- Creates Section 199A 20% passthrough deduction
- Business State and local taxes (SALT)
 - Business-related SALT (property and income) still fully deductible for corporations and passthroughs
 - o Schedules C, E, and F; Form K-1
- Interest deductibility
 - Below \$25 m fully deductible
 - Above \$25 m limited to 30% EBITDA
 - **X** GONE: entertainment expenses, transportation benefits $\sqrt{$ STAYS: business meals, home office









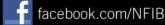
Business Credits

• Maintains most business credits



- Creates Paid Family and Medical Leave Credit
 - $_{\odot}$ Available for 2018 and 2019
 - Minimum 2 weeks of paid leave
 - Minimum 50% of wage replacement (12.5% credit) to 100% (25% credit)
 - Worked at least 1 year, earned \$72,000 or less
 - Requires separate, written family and medical leave policy







Individual Tax Changes

Rates Accounting Deductions Credits







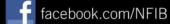


Individual Rates

Maintains 7 personal marginal rates; broadens thresholds

	<u>2017</u>			<u>2018</u>	
Rate	Single	Joint	Rate	Single	Joint
10%	\$9,325	\$18,650	10%	\$9,525	\$19,050
15%	\$37,950	\$75,900	12%	\$38,700	\$77,400
25%	\$91,900	\$153,100	22%	\$82,500	\$165,000
28%	\$191,650	\$233,350	24%	\$157,500	\$315,000
33%	\$416,700	\$416,700	32%	\$200,000	\$400,000
35%	\$418,400	\$470,700	35%	\$500,000	\$600,000
39.6%	> \$418,400	> \$470,700	37%	> \$500,000	> \$600,000









Individual Accounting

Individual AMT

- Increases exemption threshold from \$54,300 to \$70,300 single / \$84,500 to \$109,400 joint
- Increases phaseout thresholds from \$120,700 to \$500,000 single / \$160,900 to \$1m joint

Estate tax

- Doubles exemption threshold from \$5m to \$11m single / \$11m to \$22m joint
- Maintains stepped up basis



Individual Deductions

- Doubles standard deduction
 - $\,\circ\,$ \$6,350 to \$12,000 single / \$12,700 to \$24,000 joint
- Limits Individual State and local taxes (SALT)
 - Capped at \$10,000 aggregate (property and income)
 - o Schedule A

Lowers home mortgage interest deduction

- o Existing mortgages grandfathered
- New mortgages capped at \$750,000 aggregate
- $\circ~$ Home equity loan deductibility repealed
- **X GONE:** Misc. itemization; alimony (2019); tax prep; moving
- **STAYS:** Charitable; retirement; medical expense lowered
- + NEW: Eliminates limits on personal deductions (PEP/Pease)







Individual Credits

- Doubles child tax credit and expands eligibility
 - From \$1,000 per child in 2017 to \$2,000 per child in 2018
 - Phaseout begins at \$200,000 single / \$400,000 joint in 2018
 - Repeals personal exemptions
- Individual mandate penalties for health insurance eliminated beginning 2019 (ACA)
 Penalties remain in 2017 and 2018









Questions?





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