

Upcoming Events

Jan. 26: Investor360 Educational Seminar

Jan. 29-30: Commonwealth Chairman's Conference (Kim will be attending in Boston)

Feb. 2: Shana's Birthday!

Feb. 19: President's Day Holiday. Our office and the NYSE will be closed.

Mar. 23: DFP Golf Clinic

Mar. 30: Good Friday Holiday. Our office and the NYSE will be closed.

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Volume X, Issue I

January, 2018

Tax Cuts and Jobs Act of 2017: *What Taxpayers Need to Know*

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act of 2017 (the act or TCJA). The legislation makes significant changes to the Internal Revenue Code (IRC), including individual, corporate, and gift and estate taxation.

Individual income tax changes

Although the act maintains seven tax brackets, these brackets have changed.

Current tax rates

Tax Rate	Single	Married/Jointly	Head of Household	Married/ Separately
10%	\$0–\$9,525	\$0–\$19,050	\$0–\$13,600	\$0–\$9,525
15%	\$9,525–\$38,700	\$19,050–\$77,400	\$13,600–\$51,850	\$9,525–\$38,700
25%	\$38,700–\$93,700	\$77,400–\$156,150	\$51,850–\$133,850	\$38,700–\$78,075
28%	\$93,700–\$195,450	\$156,150–\$237,950	\$133,850–\$216,700	\$78,075–\$118,975
33%	\$195,450–\$424,950	\$237,950–\$424,950	\$216,700–\$424,950	\$118,975–\$212,475
35%	\$424,950–\$426,700	\$424,950–\$480,050	\$424,950–\$453,350	\$212,475–\$240,025
39.6%	Over \$426,700	Over \$480,050	Over \$453,350	Over \$240,025

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TCJA—Continued from page 1**Test your knowledge of Social Security Spousal Benefits**

Social security spousal benefits are designed to provide retirement income to spouses who've earned significantly less than their spouses have during their working careers. So, if your social security income is less than half that of your spouse's, you may be eligible to receive a social security spousal benefit to make up the difference.

For example, Jon, age 70, has been married to Patty for 40 years. Jon reached full retirement age at 66, but he waited until age 70 to claim his social security retirement benefits, earning him delayed retirement credits. When Patty reached her full retirement age, she filed for spousal benefits based on Jon's record.

Once Patty reaches full retirement age, she is eligible for a maximum spousal benefit equal to half of Jon's primary insurance amount, or the amount Jon would have received at his full retirement age. Spousal benefits do not increase with delayed retirement credits.

If Jon were to die before Patty, however, her survivor's benefit would be based on the amount Jon was claiming at the time of his death. This would include Jon's delayed retirement credits.

Source: Commonwealth

Tax Rate	Single	Married/Jointly	Head of Household	Married/Separately
10%	\$0–\$9,525	\$0–\$19,050	\$0–\$13,600	\$0–\$9,525
12%	\$9,525–\$38,700	\$19,050–\$77,400	\$13,600–\$51,800	\$9,525–\$38,700
22%	\$38,700–\$82,500	\$77,400–\$165,000	\$51,800–\$82,500	\$38,700–\$82,500
24%	\$82,500–\$157,500	\$165,000–\$315,000	\$82,500–\$157,500	\$82,500–\$157,500
32%	\$157,500–\$200,000	\$315,000–\$400,000	\$157,500–\$200,000	\$157,500–\$200,000
35%	\$200,000–\$500,000	\$400,000–\$600,000	\$200,000–\$500,000	\$200,000–\$300,000
37%	Over \$500,000	Over \$600,000	Over \$500,000	Over \$300,000

New tax rates under the TCJA

In addition to the changes made to the tax brackets, many exemptions and deductions for individual income tax have been repealed or modified.

- The personal exemption of \$4,150 per taxpayer and dependent has been eliminated.
- The standard deduction for individuals has gone from \$6,500 for individual taxpayers and \$13,000 for married couples who file jointly to \$12,000 for individual taxpayers and \$24,000 for married couples who file jointly. This near doubling of the standard deduction will result in more taxpayers taking this deduction instead of itemizing.
- The legislation also places limits on several itemized deductions, listed in the table below.

	2017 Tax Year	As of 2018
State and local income tax, property tax	State and local income and property tax fully deductible	All deductions for state and local income tax, as well as property tax, limited to a maximum of \$10,000
Mortgage interest deduction	Interest payments on mortgage debt deductible up to \$1 million in indebtedness	Debt limitation lowered to \$750,000
Medical expenses	Deductible to the extent they exceed 10% of adjusted gross income (AGI)	Deductible to the extent they exceed 7.5% of AGI
Moving expenses	Personal moving expenses deductible, including employer-sponsored reimbursements	No longer deductible at the personal or employer level, except for military
Miscellaneous itemized deductions	Certain miscellaneous itemized deductions may be taken to the extent they exceed 2% of taxpayer's AGI	Miscellaneous itemized deductions repealed; no longer deductible
Income phase-out for itemizing deductions	Itemized deductions limited by phase-out beginning at \$266,700 (single) and \$320,000 (married)	No phase-out for itemizing deductions

Miscellaneous individual income tax changes

In addition to the major modifications discussed above, several other changes in the bill may affect your financial decisions going forward. These are:

Family tax credits. The child tax credit has been doubled, from \$1,000 to \$2,000, and the refundable portion of that credit is allowable up to \$1,400. The act also grants a new credit of \$500 for other dependents. These will phase out at income limits of \$200,000 (single) and \$400,000 (married).

Estate and gift taxes. Effective January 1, 2018, the individual unified gift and estate tax exemption has been raised to \$11.2 million (up from what was set to be \$5.6 million) and, with portability remaining intact, \$22.4 million for a married couple. The top rate will remain 40 percent. The new rates are set to expire—and return to 2017 levels—at the end of calendar year 2025.

Cash donations to charity. Under 2017 law, gifts of cash to charity offered a taxpayer the ability to deduct the contribution, up to 50 percent of AGI. The TCJA has increased the limitation to 60 percent of the taxpayer's AGI.

Education planning. The TCJA includes an expansion of 529 savings plans that allows families to save for K–12 expenses, in addition to college expenses. 529 plans will also be able to use qualified distributions for elementary and secondary school expenses, up to \$10,000 per year, per student.

1031 exchanges. Beginning January 1, 2018, 1031 exchanges have been limited to real property.

Affordable Care Act individual mandate. The TCJA eliminates the penalty imposed under the IRC for individuals who do not maintain individual health care coverage.

Individual alternative minimum tax (AMT). The individual AMT exemption amount has increased to \$70,300 for individual filers and \$109,400 for joint filers. The phase-out for the AMT exemption has increased to \$500,000 for individuals and \$1 million for married couples. With enactment of the new act, fewer Americans will be subject to the AMT.

Retirement recharacterizations. The TCJA eliminates the ability for a taxpayer to unwind a Roth conversion and “recharacterize” back to a traditional IRA. This applies to conversions occurring after January 1, 2018. Be sure to speak with our office before considering any new recharacterizations, as there is current debate as to whether Roth conversions that occurred in 2017 may still be characterized in 2018.

Pass-through business income

Under law in effect for the 2017 tax year, all pass-through business income is taxed at the individual taxpayer's marginal rate, as is most ordinary income. Under the TCJA, qualified pass-through business income will be addressed in a new IRC Section 199A as follows:

- Deduction of 20 percent of the non-wage allocation of qualified business income from the trade or business
- Deduction limited to 50 percent of W-2 wage income (The limitation was set in an effort to prevent abuse in classifying wage income as business income in order to receive a lower rate for income that should be taxed at ordinary income rates.):

For individuals: Income earned over \$157,000

For married couples: Income earned over \$315,000

Certain service professionals (e.g., attorneys, accountants, financial professionals): Excluded from taking the deduction for income above \$157,000 for an individual and \$315,000 for a married couple

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Please note: The changes to pass-through business income taxation sunset at the end of calendar year 2025, as written in the TCJA.

Corporate taxation

Although the changes to how individual income is taxed are set to expire at the end of 2025, the corporate tax changes provided for in the TCJA will be permanent. One of the largest tax cuts in the legislation lowers the corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. Furthermore, the TCJA completely repeals the corporate AMT. The act also imposes some limitations on certain corporate tax deductions, including those for net operating loss, business interest, and R&D expenditures.

Assess where you are headed

In light of these sweeping changes, 2018 should result in a complete review of your financial snapshots. An overall review of income, assets, and balance sheet is important in order to get a clear picture of how the significant changes to individual income taxation will affect you and your family.

More planning opportunities will continue to arise as the new tax code unfolds. Please reach out to our office so we can help you navigate these changes and answer any questions you may have.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

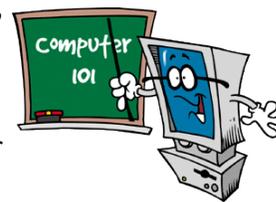
Source: Commonwealth

DFP Happenings



Thank you for all your generous donations for our "Will Plan 4 Food" food drive. Because of your help, we donated 575 pounds of food for the Tarrant Area Food Bank to help them replenish after the holidays! We were only 5 pounds short of beating last year's donation, so we have a goal for 2018!

Do you access your account online and need help understanding it all? Do you need account access? Interested in turning off the amount of paper you get in your mail, but not sure how to do it? Need an electronic copy of your tax forms? Did you know you that Investor360 can help you with your taxes if you utilize TurboTax? We will answer these questions and more during our first Lunch & Learn event on Friday, January 26th!



Our Golf Clinic that was scheduled for October last year was cancelled due to inclement weather, but as promised it has been rescheduled for Friday, March 23rd at Mira Vista Country Club. Details will come in late February.



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