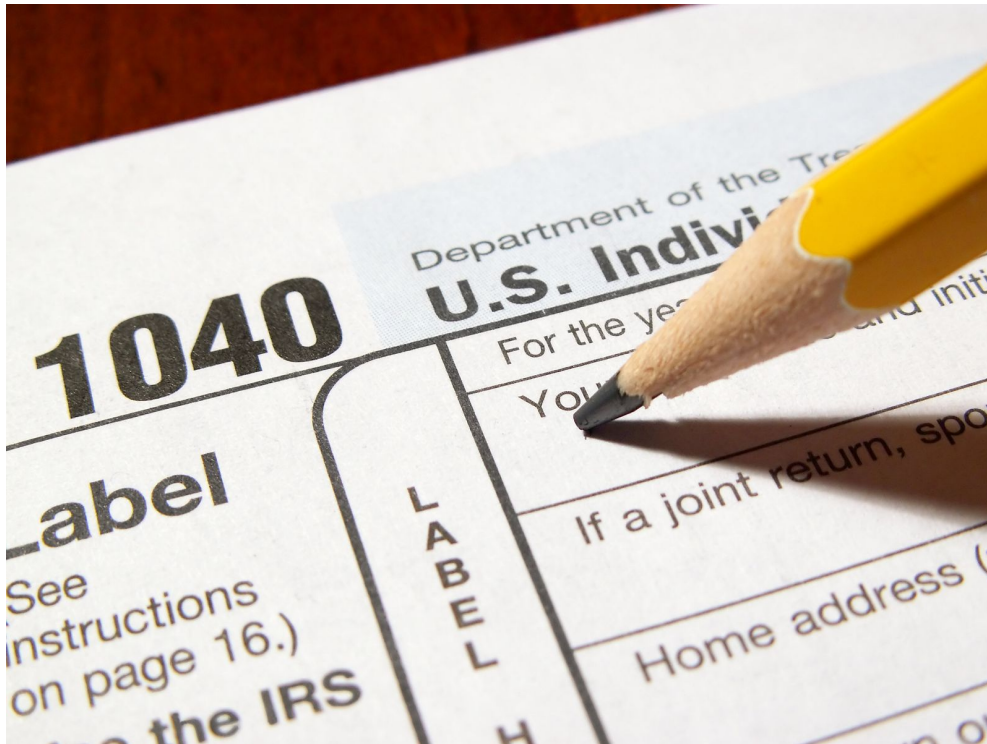


## Late Innings of Tax Reform

November 2017



### **Dear Valued Friends and Clients:**

As we begin the final two calendar months of the year, individuals and families start to wrap up their financial year. Each year at this time individuals start thinking about what can be done or should be done from a tax perspective before the calendar rolls over into new year.

This year our good friends in Washington, D.C. have begun their own version of calendar year wrap-up. With the baseball World Series still fresh in our minds, we are probably in the sixth inning of this game. Given this game is expected to end in late December, we must watch in earnest over these next few weeks to see how these changes are unfolding. If anyone watched the World Series, the late innings provided a lot of fireworks, drama, and suspense. I would expect the same with this tax legislation.

We did get quite a bit of information in yesterday's release of the House Republicans blueprint for tax reform. If signed into law, these will be the biggest changes this country has seen in over 30 years. There are many twists and turns to play out, but here are some of the larger items being discussed:

**Tax Rates (Fewer Brackets)**

<b>2017 Married Filing Jointly</b>	<b>2018 Married Filing Jointly</b>	<b>2017 Single</b>	<b>2018 Single</b>
10%: Up to \$18,650	12%: Up to \$90,000	10%: \$0-9,325	12%: Up to \$45,000
15%: \$18,651-75,900	25%: \$90,001-260,000	15%: \$9,326-37,950	25%: \$45,001-200,000
25%: \$75,901-153,100	35%: \$260,001-1 million	25%: \$37,951-91,900	35%: \$200,001-500,000
28%: \$153,101-233,350	39.6%: Over \$1 million	28%: \$91,901-191,650	39.6%: Over \$500,000
33%: \$233,351-416,700		33%: \$191,651-416,700	
35%: \$416,701-470,700		35%: \$416,700-418,400	
39.6%: Over \$470,700		39.6%: Over \$418,400	

**Standard Deduction (Almost Doubling Amounts)**

<b>2017 Married Filing Jointly</b>	<b>2018 Married Filing Jointly</b>	<b>2017 Single</b>	<b>2018 Single</b>
\$12,700	\$24,000	\$6,350	\$12,000

### Proposed Individual Income Tax Legislation Changes

	2017	2018
Personal exemptions	\$4,050/dependent	none
Child credit	\$1,000	\$1,600
Education credit	Eligible for 4 years	5 year eligibility
Mortgage interest	Limited to \$1M loan	Limited to \$500k loan (home purchased post 11/2/2017)
Real estate taxes	No limit	Limited to \$10k
Medical expenses	Above 7.5 or 10% of AGI	Not allowed
State income taxes	No limit	Not allowed
Principal residence sale	\$500k (\$250k single) gain exclusion if lived there 2 out of 5 previous years	\$500k (\$250k single) gain exclusion if lived there 5 out of 8 previous years. Phase out for AGI over \$500k (\$250k single)
Gift tax (index for inflation)	\$5 million exclusion/person	\$10 million exclusion/person
Estate tax	\$5 million exclusion/person	Post-2023 tax is repealed
Alternative minimum tax	In effect	Repealed (No amounts)

As we enter these late innings of tax reform, the pressure will increase for legislators to act. Special interest groups, lobbyists, and taxpayers will certainly voice their concerns over specific legislation.

Given the laws are projected to be changed for the 2018 calendar year, taxpayers should be diligent in watching this legislation over the next month. We will certainly be keeping a close eye on the unfolding events. Experience would say that Congress is going to wait as long as possible to finalize this new legislation. We do not expect anything final until the end of December.

## **Action Steps**

Please let us know if you have any specific questions about how this potential legislation might affect your personal situation. Given the broad changes, this will affect everyone in very different ways. Since these are proposed rules, so we will not have definitive answers. However, we can put these proposed rules into context within your specific plan.

We appreciate your business and look forward to talking with you soon.

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