

Tax Law Impacts for 2018 - 2026

Q1: Did you pay more or less income tax in 2018?

95% of taxpayers had lower tax rates, so if you paid more, your income probably went up.

Q2: How did income tax rates change this year?

For married taxpayers filing jointly:

Quintile	Income	2017 Tax Rate	2018 Tax Rate	Net Change
Lowest	\$14,170	10%	10%	0%
Second	\$36,450	15%	12%	-3%
Middle	\$65,640	15%	12%	-3%
Fourth	\$114,370	25%	22%	-3%
Top	\$347,940	33%	32%	-1%

Standard deductions increased. Itemized deductions decreased:

- \$10,000 cap on state and local income and property tax (SALT) deduction
- Lower cap on mortgage interest interest deduction
- Eliminated cap on itemized deductions for high-income taxpayers

No more personal exemptions for self, spouse or dependents (\$4,050 each)

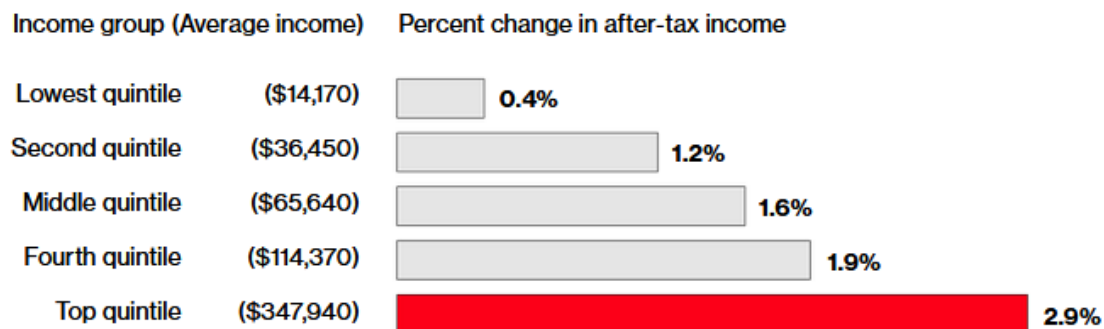
Child and dependent tax credits increased.

It's a good time to have a business. 20% of pass-through business income is now deductible

Alternative Minimum Tax was reduced for individuals, eliminated for corporations.

Estate tax/inheritance tax threshold increased. Only the wealthiest 2,000 people in the US are now liable for estate tax.

Q3: Did your after-tax income change? (including income tax, Social Security, Medicare, estate tax, and excise tax)



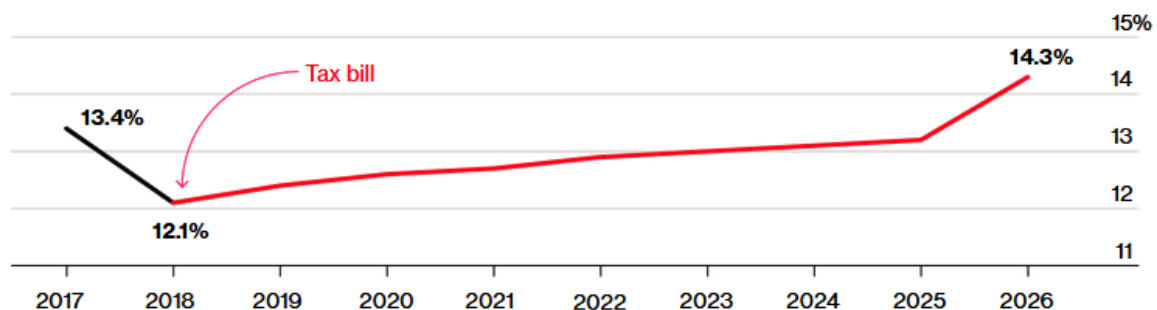
Source: Tax Policy Center estimates

Note: Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

Q4: How will things change over the next 7 years?

Changes for corporations are permanent, but most provisions benefiting individuals expire at the end of 2025, including tax rates, standard deduction, child tax credit, and AMT reduction. After 2026, all the benefits of the new law will flow to taxpayers who earn over \$150,000.

Average rates dropped in 2018, but they'll return to 2017 levels by 2026



Source: Source: Tax Policy Center estimates

Note: Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.

And, the cuts for middle-class wage earners fade over time. By 2026, changes to individual tax rules expire, while corporate changes are permanent. Unless Congress acts, 53 percent of all taxpayers will see a modest tax hike by 2027, the Tax Policy Center says, including almost 70 percent of middle-income families.

Gifts to Friends and Relatives

Gifts to a) spouse, b) tuition, c) medical expense, d) political organizations are unlimited.

Annual exclusion is \$15,000 for 2018 and 2019. Both spouses can give up to the limit.

Q5: If you and your spouse want to give the maximum exempt amounts to your two married children, how much can you give?

$\$15,000 \times 2 \text{ spouses} \times 4 \text{ kids} = \$120,000$

Q6: What if you want give someone over \$15,000?

The lifetime exclusion from gift tax is about \$11M per recipient, so it really doesn't matter. Just file IRS form 709.

Charitable Donation Tax Strategies

Q7: What strategies can you use if you itemize deductions?

- Donate in alternating years, take standard deduction other years
- Donor-advised fund

Q8: What is the benefit of being over 70.5 years old?

Your 401K or IRA is subject to Required Minimum Distributions, but...

- RMD's contributed to charity reduce your adjusted gross income
- Must go from the account directly to the charity
- Up to \$100K