

TAX UPDATE FOR INDIVIDUALS AND SMALL BUSINESS OWNERS

FEBRUARY 2019

2019 TAX UPDATE

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2019 TAX UPDATE - DISCLAIMER

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If legal, accounting or other professional advice is required, the services of a professional should be sought.

OVERVIEW OF TAX CHANGES

- Personal tax changes
- Business tax changes
- Estate and Gift tax changes

PERSONAL TAX CHANGES - EFFECTIVE DATES

- Effective beginning 1/1/2018
- Most provisions “sunset” at the end of 2025
- 2026 – revert back to prior law (unless Congress makes the provisions permanent)

PERSONAL TAX CHANGES - TAX FORMS

- Form 1040 will now be the size of a “postcard”
- 6 new schedules have been added
- Because of the new schedules, the 1040-EZ and 1040-A will be eliminated

Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Your first name and initial _____ Last name _____ Your social security number _____

Your standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

If joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Spouse standard deduction: Someone can claim your spouse as a dependent Spouse was born before January 2, 1954 Full-year health care coverage or exempt (see inst.)

Spouse is blind Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street), if you have a P.O. box, see instructions _____ Apt. no. _____ Presidential Election Campaign (see inst.) You Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule R. _____ If more than four dependents, see inst. and ✓ here

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature _____ Date _____ Your occupation _____

Spouse's signature, if a joint return, both must sign. _____ Date _____ Spouse's occupation _____

If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____

If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____

Paid Preparer Use Only

Preparer's name _____ Preparer's signature _____ PTIN _____ Firm's EIN _____ Check it: 3rd Party Designee Self-employed

Firm's name _____ Phone no. _____

Firm's address _____

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1 line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1 line 36, from line 6	7	
8	Standard deduction or itemized deductions (from Schedule A)	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	a Tax (see inst.) (check if any from: 1 Form(s) 9814 2 Form 4872 3 _____)	11	
12	b Add any amount from Schedule 2 and check here <input type="checkbox"/>	12	
13	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here <input type="checkbox"/>	13	
14	Subtract line 12 from line 11. If zero or less, enter -0-	14	
15	Other taxes. Attach Schedule 4	15	
16	Total tax. Add lines 13 and 14	16	
17	Federal income tax withheld from Forms W-2 and 1099	17	
18	Refundable credits: a EIC (see inst.) b Sch. 8812 c Form 8863	18	
19	Add any amount from Schedule 5	19	
20a	Add lines 16 and 17. These are your total payments	20a	
21	Refund. If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	21	
22	Amount of line 19 you want refunded to you, if Form 8888 is attached, check here <input type="checkbox"/>	22	
23	a Routing number b Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	23	
24	c Account number	24	
25	Amount of line 19 you want applied to your 2019 estimated tax	25	
26	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	26	
27	Estimated tax penalty (see instructions)	27	

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 01	
Name(s) shown on Form 1040		Your social security number			
Additional Income	1-9b	Reserved	1-9b		
10		Taxable refunds, credits, or offsets of state and local income taxes	10		
11		Alimony received	11		
12		Business income or (loss). Attach Schedule C or C-EZ	12		
13		Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13		
14		Other gains or (losses). Attach Form 4797	14		
15a		Reserved	15a		
16a		Reserved	16a		
17		Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17		
18		Farm income or (loss). Attach Schedule F	18		
19		Unemployment compensation	19		
20a		Reserved	20a		
21		Other income. List type and amount ▶	21		
22		Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22		
Adjustments to Income					
23		Educator expenses	23		
24		Certain business expenses of reservists, performing artists, and fee-based government officials. Attach Form 2106	24		
25		Health savings account deduction. Attach Form 8889	25		
26		Moving expenses for members of the Armed Forces. Attach Form 3903	26		
27		Deductible part of self-employment tax. Attach Schedule SE	27		
28		Self-employed SEP, SIMPLE, and qualified plans	28		
29		Self-employed health insurance deduction	29		
30		Penalty on early withdrawal of savings	30		
31a		Alimony paid <input type="checkbox"/> Recipient's SSN ▶	31a		
32		IRA deduction	32		
33		Student loan interest deduction	33		
34		Reserved	34		
35		Reserved	35		
36		Add lines 23 through 35	36		

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2018

SCHEDULE 2 (Form 1040)		Tax		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 02	
Name(s) shown on Form 1040				Your social security number	
Tax	38-44	Reserved	38-44		
	45	Alternative minimum tax. Attach Form 6251	45		
	46	Excess advance premium tax credit repayment. Attach Form 8962	46		
	47	Add the amounts in the far right column. Enter here and include on Form 1040, line 11	47		

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U Schedule 2 (Form 1040) 2018

SCHEDULE 3
(Form 1040)

Nonrefundable Credits

OMB No. 1545-0074

2018
Attachment
Sequence No. **03**

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040

Your social security number

Nonrefundable Credits	48	Foreign tax credit. Attach Form 1116 if required	48		
	49	Credit for child and dependent care expenses. Attach Form 2441	49		
	50	Education credits from Form 8863, line 19	50		
	51	Retirement savings contributions credit. Attach Form 8880	51		
	52	Reserved	52		
	53	Residential energy credit. Attach Form 5695	53		
	54	Other credits from Form a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54		
55	Add the amounts in the far right column. Enter here and include on Form 1040, line 12	55			

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G Schedule 3 (Form 1040) 2018

SCHEDULE 4
(Form 1040)

Other Taxes

OMB No. 1545-0074

2018
Attachment
Sequence No. **04**

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040

Your social security number

Other Taxes	57	Self-employment tax. Attach Schedule SE	57		
	58	Unreported social security and Medicare tax from: Form a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
	59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	59		
	60a	Household employment taxes. Attach Schedule H	60a		
	60b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60b		
	61	Health care: individual responsibility (see instructions)	61		
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62		
	63	Section 965 net tax liability installment from Form 965-A	63		
64	Add the amounts in the far right column. These are your total other taxes . Enter here and on Form 1040, line 14	64			

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71481R Schedule 4 (Form 1040) 2018

SCHEDULE 5
(Form 1040)

Department of the Treasury
Internal Revenue Service

Other Payments and Refundable Credits

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018
Attachment
Sequence No. **05**

Name(s) shown on Form 1040

Your social security number

Other Payments and Refundable Credits	65	Reserved	65	
	66	2018 estimated tax payments and amount applied from 2017 return	66	
	67a	Reserved	67a	
	b	Reserved	67b	
	68-69	Reserved	68-69	
	70	Net premium tax credit. Attach Form 8962	70	
	71	Amount paid with request for extension to file (see instructions)	71	
	72	Excess social security and tier 1 RRTA tax withheld	72	
	73	Credit for federal tax on fuels. Attach Form 4136	73	
	74	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	74	
75	Add the amounts in the far right column. These are your total other payments and refundable credits . Enter here and include on Form 1040, line 17.		75	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71482C Schedule 5 (Form 1040) 2018

SCHEDULE 6
(Form 1040)

Department of the Treasury
Internal Revenue Service

Foreign Address and Third Party Designee

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018
Attachment
Sequence No. **05A**

Name(s) shown on Form 1040

Your social security number

Foreign Address	Foreign country name	Foreign province/county	Foreign postal code
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No		
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶ <input type="text"/>

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71483N Schedule 6 (Form 1040) 2018

NEW TAX RATES

Single taxpayers			Heads of household		
Taxable income over	But not over	Is taxed at	Taxable income over	But not over	Is taxed at
\$0	\$9,525	10%	\$0	\$13,600	10%
\$9,525	\$38,700	12%	\$13,600	\$51,800	12%
\$38,700	\$82,500	22%	\$51,800	\$82,500	22%
\$82,500	\$157,500	24%	\$82,500	\$157,500	24%
\$157,500	\$200,000	32%	\$157,500	\$200,000	32%
\$200,000	\$500,000	35%	\$200,000	\$500,000	35%
\$500,000		37%	\$500,000		37%

Married taxpayers filing joint returns and surviving spouses			Married taxpayers filing separately		
Taxable income over	But not over	Is taxed at	Taxable income over	But not over	Is taxed at
\$0	\$19,050	10%	\$0	\$9,525	10%
\$19,050	\$77,400	12%	\$9,525	\$38,700	12%
\$77,400	\$165,000	22%	\$38,700	\$82,500	22%
\$165,000	\$315,000	24%	\$82,500	\$157,500	24%
\$315,000	\$400,000	32%	\$157,500	\$200,000	32%
\$400,000	\$600,000	35%	\$200,000	\$300,000	35%
\$600,000		37%	\$300,000		37%

PERSONAL TAX CHANGES - TAX RATES – EXAMPLE OF CHANGES

PRE-TAX REFORM (2017) MARRIED FILING JOINT

- 10% (Taxable income not over \$18,650)
- 15% (Over \$18,650 but not over \$75,900)
- 25% (Over \$75,900 but not over \$153,100)
- 28% (Over \$153,100 but not over \$233,350)
- 33% (Over \$233,350 but not over \$416,700)
- 35% (Over \$416,700 but not over \$470,700)
- 39.6% (Over \$470,700)

POST-TAX REFORM (2018) MARRIED FILING JOINT

- 10% (Taxable income not over \$19,050)
- 12% (Over \$19,050 but not over \$77,400)
- 22% (Over \$77,400 but not over \$165,000)
- 24% (Over \$165,000 but not over \$315,000)
- 32% (Over \$315,000 but not over \$400,000)
- 35% (Over \$400,000 but not over \$600,000)
- 37% (Over \$600,000)

PERSONAL TAX CHANGES - INFLATION INDEXING

- Amounts will now be indexed for inflation using the Department of Labor's "Chained CPI".
 - Formerly used Consumer Price Index for All Urban Consumers (CPI-U)
- Using a lower rate of inflation to calculate future tax brackets means taxpayers will move into the next tax bracket at a quicker pace resulting in the taxpayer paying more taxes over time ("bracket creep")
 - 2018-2019 will raise less than \$5 billion in revenue
 - 2018-2027 will raise revenue by \$125 billion
 - 2028-2037 will increase revenue by nearly \$500 billion

PERSONAL TAX CHANGES - STANDARD DEDUCTION

- Standard deduction almost doubled
 - Married filing jointly - \$24,000 (formerly \$12,700)
 - Single/MFS - \$12,000 (formerly \$6,350)
 - Head of Household - \$18,000 (formerly \$9,350)
- Result – fewer people will itemize deductions

PERSONAL TAX CHANGES - ITEMIZED DEDUCTIONS - MEDICAL

- A taxpayer can only deduct the amount of total medical expenses that exceed 7.5% of AGI for 2017 and 2018 tax years.
 - Threshold was previously 10% of AGI
 - Applies to all taxpayers
- After 2018, the AGI threshold reverts back to 10% of AGI.

PERSONAL TAX CHANGES - ITEMIZED DEDUCTIONS - TAXES

- Deduction for taxes on Sch. A is limited to \$10,000
 - Sales tax, state income tax, real estate taxes on residence or investment property
 - Prior to 2018, there was no cap.
- No change to taxes related to rental, royalty, sole proprietorship businesses or farming.
 - Claimed on Schedule C, E, F or Form 4835.

PERSONAL TAX CHANGES

- ITEMIZED DEDUCTIONS - INTEREST

- Limitation on mortgage interest deduction has been reduced
 - Taxpayers can deduct interest on a mortgage of up to \$750,000 on indebtedness incurred after 12/15/2017
 - Previously the mortgage limit was \$1 million
- Home equity loan deduction has been eliminated
 - Unless the proceeds are used for improvement of a personal residence

PERSONAL TAX CHANGES

- ITEMIZED DEDUCTIONS - CHARITABLE CONTRIBUTIONS

- Deduction now limited to 60% of AGI (formerly 50% of AGI)
 - The 60% AGI limit applies to cash only
- Qualified charitable contributions from an IRA for taxpayers over age 70 ½ are more advisable than ever due to the increased standard deduction.

PERSONAL TAX CHANGES

- ITEMIZED DEDUCTIONS - MISCELLANEOUS

- Deduction for miscellaneous itemized deductions has been eliminated.
 - Tax preparation fees
 - Investment management fees
 - Unreimbursed employee business expenses
- Tax preparation fees related to Schedule C, E and F are still fully deductible.
 - Ask your tax preparer to segregate these fees

PERSONAL TAX CHANGES

- LIMITATION ON ITEMIZED DEDUCTIONS

- The overall limitation on itemized deductions for certain high income taxpayers has been eliminated.

PERSONAL TAX CHANGES - ITEMIZED DEDUCTIONS - BUNCHING

- A strategy in which a taxpayer can “bunch” two years worth of deductions into one year.
- In Year One where the bunching occurs, the taxpayer would itemize their deductions. In Year Two, the taxpayer would use the standard deduction. This process is repeated every two years and reduces total income taxes over the two-year cycle.
- With certain itemized deductions now limited or eliminated, this method will not be effective for many people.

PERSONAL TAX CHANGES - ITEMIZED DEDUCTIONS – BUNCHING EXAMPLE

Without Bunching	2018	2019	2020	2021
State Income & Property Taxes	\$10,000	\$10,000	\$10,000	\$10,000
Mortgage Interest	\$8,000	\$8,000	\$8,000	\$8,000
Charitable Gifts	\$5,000	\$5,000	\$5,000	\$5,000
Total Itemized Deductions	\$23,000	\$23,000	\$23,000	\$23,000
Standard Deduction	\$24,000	\$24,000	\$24,000	\$24,000
Greater of Itemized or Standard	\$24,000	\$24,000	\$24,000	\$24,000
Total Deductions without Bunching				\$96,000

With Bunching	2018	2019	2020	2021
State Income & Property Taxes	\$10,000	\$10,000	\$10,000	\$10,000
Mortgage Interest	\$8,000	\$8,000	\$8,000	\$8,000
Charitable Gifts	\$0	\$10,000	\$0	\$10,000
Total Itemized Deductions	\$18,000	\$28,000	\$18,000	\$28,000
Standard Deduction	\$24,000	\$24,000	\$24,000	\$24,000
Greater of Itemized or Standard	\$24,000	\$28,000	\$24,000	\$28,000
Total Deductions with Bunching				\$104,000

PERSONAL TAX CHANGES - PERSONAL EXEMPTION

- Repealed
 - Formerly \$4,050 per person
 - Self, spouse, dependents
 - For most, the loss of this deduction will be offset by lower tax rates, increased standard deduction, and the expanded child tax credit.

PERSONAL TAX CHANGES - CHILD TAX CREDIT

- Child tax credit has increased to \$2,000 per child under age 17.
- “Refundable credit” is capped at \$1,400
- Phaseout threshold has increased to \$400,000 for married filing joint (\$200,000 for single).
- New \$500 credit for a qualifying relative

PERSONAL TAX CHANGES

- ALTERNATIVE MINIMUM TAX (AMT)

- Exemption increased to \$109,400 for taxpayers who are married filing jointly
 - \$86,200 for 2018 under prior law
- Phase-out threshold starts at \$1 million for joint filers
 - \$164,100 for 2018 under prior law
- Corporate AMT has been repealed

PERSONAL TAX CHANGES

- AFFORDABLE CARE ACT

- Individuals who do not have healthcare coverage will no longer pay a penalty
- Still required to maintain minimum essential coverage
- Goes into effect in 2019; will still owe a penalty if applicable in 2018

PERSONAL TAX CHANGES – KIDDIE TAX

- No longer tied to the parent's tax rate
- Earned income is taxed at a single individual's tax bracket and rates
- Unearned income is taxed at the rates applicable to trusts and estates

BUSINESS TAX CHANGES - DEPRECIATION

- Bonus Depreciation
 - "Qualified Property" – full 100% expensing through 12/31/2022, then phase-down
 - "Qualified property" is tangible personal property with a tax life of 20 years or less
 - Now includes used property
 - Formerly only new property
- Can elect out

BUSINESS TAX CHANGES

- SECTION 179 EXPENSING

- Section 179 Expensing
 - Annual limit raised to \$1M (increase from \$500K)
 - Phaseout begins at \$2.5M (increase from \$2.0M)
 - Not likely to be used as much since there is 100% bonus depreciation through 12/31/2022.
 - Business income limitation
 - Indexed for inflation after 2018
 - Permanent change

BUSINESS TAX CHANGES

- RECOVERY PERIOD - FARMING

- Assigns a 5-yr recovery period for NEW machinery and equipment
 - Used equipment remains 7-yr
- Allows 200% declining balance depreciation
 - Formerly 150% declining balance
- Permanent change

BUSINESS TAX CHANGES

- VEHICLE DEPRECIATION

- GVW <6,000 LBS

- Applies to cars, trucks, vans
- Significant increase to annual depreciation limits

• Yr 1	\$10,000	Plus \$8,000 "bonus" depreciation
• Yr 2	\$16,000	
• Yr 3	\$ 9,600	
• Yr 4+	\$ 5,760	

BUSINESS TAX CHANGES

- VEHICLE DEPRECIATION

- GVW >6,000 LBS BUT < 14,000 LBS

- Not subject to annual depreciation limits
- Eligible for 100% bonus depreciation (new & used)
 - Can elect out of bonus depreciation
- Limited to \$25,000 Sec. 179 deduction

BUSINESS TAX CHANGES

- VEHICLE DEPRECIATION

- GVW >14,000 LBS

- Not subject to annual depreciation limits
- Eligible for 100% bonus depreciation (new & used)
 - Can elect out of bonus depreciation
- No Sec. 179 limitation

BUSINESS TAX CHANGES

- CORPORATE TAX RATE

- Corporate tax rate reduced to 21%
- Flat tax
- Most corporations will see a tax decrease
- Corporations with income less than \$50,000 see a tax INCREASE from a 15% tax rate to a 21% tax rate

BUSINESS TAX CHANGES

- QUALIFIED BUSINESS INCOME DEDUCTION

- Applies to non-corporate taxpayers with income from a “trade or business”
 - Sole proprietor, partnership, S-Corporation, trust, estate
- Deduction equal to 20% of qualified business income (“QBI”)
- Limitations apply when taxable income exceeds \$315,000 (MFJ) – 20% QBI deduction is limited to the greater of:
 - 50% of wages, or
 - 25 % of wages + 2.5% of unadjusted asset basis
- Overall limitation – QBI deduction cannot exceed 20% of (taxable income less net capital gains)

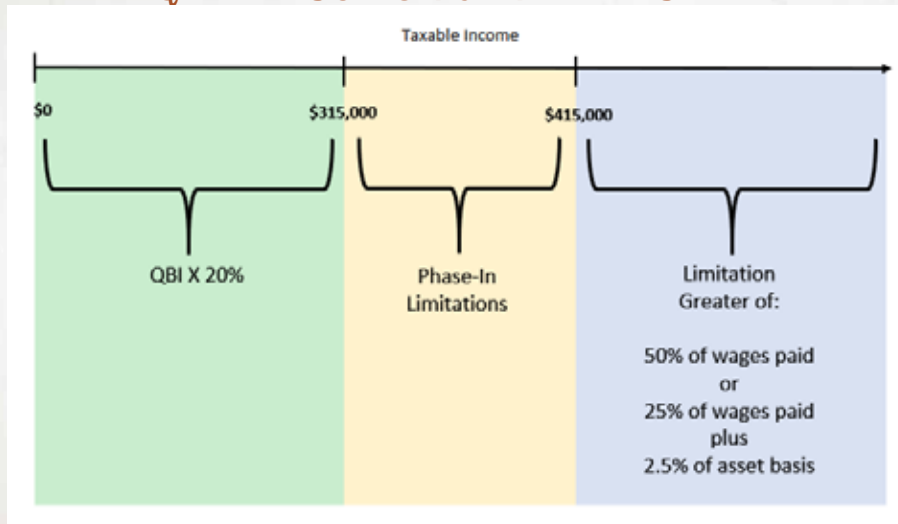
BUSINESS TAX CHANGES

- QUALIFIED BUSINESS INCOME DEDUCTION

- Qualified Business Income does not include reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for:
 - Services rendered in relation to the trade or business
 - Guaranteed payments
 - Partner not acting in capacity as a partner

BUSINESS TAX CHANGES

QBI DEDUCTION GENERAL RULE



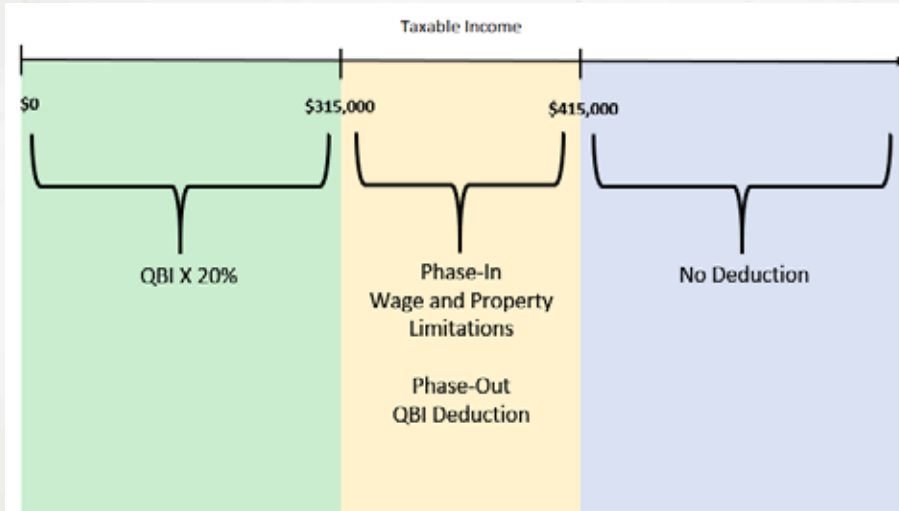
BUSINESS TAX CHANGES

QBI – SPECIFIED SERVICE BUSINESS

- Specified Service Business is any trade or business involving the performance of services in the fields of:
 - health,
 - law,
 - accounting,
 - actuarial science,
 - performing arts,
 - consulting,
 - athletics,
 - financial services,
 - brokerage services,
 - investing and investment management,
 - trading, dealing in securities, partnership interests, or commodities, or
 - any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners

BUSINESS TAX CHANGES

QBI – SPECIFIED SERVICE BUSINESS



BUSINESS TAX CHANGES

QBI – CHOICE OF ENTITY

	Sole Proprietor	S-Corporation	Shareholder
Income	\$200,000	\$200,000	
Operating Expenses	(\$75,000)	(\$75,000)	
Wages Paid to Owner	\$0	(\$100,000)	\$100,000
QBI	\$125,000	\$25,000	\$25,000
			\$125,000
20% of QBI	(\$25,000)		(\$5,000)
Net Taxable Income	\$100,000		\$120,000

BUSINESS TAX CHANGES

- LIKE KIND EXCHANGE (SEC. 1031)

- Section 1031 exchange is now limited to real property
 - CAN defer gain on exchange of land
 - CANNOT postpone gain on exchange of personal property
- Gain is recognized, but the replacement property is likely eligible for 100% expensing.

BUSINESS TAX CHANGES

- NET OPERATING LOSS

- Old Rules:
 - General rule: 2-yr carryback; 20-yr carryforward
 - Farm rule: 5-yr carryback; 20-yr carryforward
- New Rules:
 - General rule: No carryback; indefinite carryforward
 - Farm rule: 2-yr carryback; indefinite carryforward
- For NOLs created after 2017, the deduction is limited to 80% of taxable income

BUSINESS TAX CHANGES

- INTEREST DEDUCTION LIMITATION

- Applies to businesses with average annual gross receipts of more than \$25 million
- The deduction for business interest is limited to the sum of
 - Business interest income
 - 30% of the taxpayer's adjusted taxable income and
 - Taxpayer's floor plan financing interest
- Disallowed business interest deductions can be carried forward indefinitely
- Will be impacted by K-1's received

BUSINESS TAX CHANGES

- ENTERTAINMENT EXPENSE

- Deductions are no longer allowed for:
 - Entertainment, amusement or recreation;
 - Membership dues for any club organized for business, pleasure, recreation or other social purposes; or
 - A facility used in connection with any of the above
- In addition, there is no longer a deduction for contributions made to an institution of higher education in exchange for tickets or seating at an athletic event

ESTATE AND GIFT TAX CHANGES

- Estate tax exclusion increased to \$11,400,000 (2019)
 - Increased from \$5,490,000 (2017)
- Annual gift exclusion increased to \$15,000 per donee
- Top estate/gift tax rate remained at 40%
- Portability of spouse's unused exemption survived
- Basis adjustment to fair market value at date of death was not changed.

QUESTIONS?

The PowerPoint slides are available
for download at our website –
www.cbandco.com