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December 20, 2017

GOP Tax Bill Approved By Congress. What Does This Mean For Taxpayers?

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Related Practice(s): Tax


On December 20, 2017, the final version of the GOP tax reform bill (the "Act") was approved by both houses of Congress and sent to the President for signature. The provisions of the new legislation will generally become effective for tax years beginning after December 31, 2017. Many of the provisions of the Act applicable to individuals will sunset after 2025 unless extended by Congress.

While the Act touches a wide range of provisions throughout the Internal Revenue Code, the charts below highlight some of the most important provisions that affect businesses and individuals. Note that beyond the changes noted on the charts, numerous deductions and exemptions are eliminated on the individual side, and far-reaching changes are made on the business side, especially in the international area.

RATES AND BRACKETS

The tax revisions contained in the Act mean new rates and thresholds for millions of tax filers.

UNMARRIED INDIVIDUALS

OLD INCOME BRACKET	OLD RATE	NEW RATE	NEW INCOME BRACKET
Over $426,700	39.6%	37%	Over $500,000
$424,951-426,700	35%	35%	$200,001-500,000
$195,451-424,950	33%	32%	$157,501-200,000
$93,701-195,450	28%	24%	$82,501-157,500
$38,701-93,700	25%	22%	$38,701-82,500
$9,526-38,700	15%	12%	$9,526-38,700
Up to $9,525	10%	10%	Up to $9,525

MARRIED, FILING JOINTLY

OLD INCOME BRACKET	OLD RATE	NEW RATE	NEW INCOME BRACKET
Over $480,050	39.6%	37%	Over $600,000
$424,951-480,050	35%	35%	$400,001-600,000
$237,951-424,950	33%	32%	$315,001-400,000
$156,151-237,950	28%	24%	$165,001-315,000
$77,401-156,150	25%	22%	$77,401-165,000
$19,051-77,400	15%	12%	$19,051-77,400
Up to $19,050	10%	10%	Up to $19,050

Source: https://www.wsj.com/articles/gop-is-poised-to-pass-sweeping-tax-overhaul-1513376474

CHANGES FOR INDIVIDUALS

CHANGES FOR BUSINESSES

RECOMMENDATIONS FOR YEAR-END TAX PLANNING

The general concept is to take advantage of lower tax rates in 2018 by deferring the recognition of income. Specific actions for consideration include the following:

General Recommendations:

- Take deductions in 2017 that have been eliminated for future years.
- Defer the recognition of income to 2018 to take advantage of lower rates.

Recommendations for Deductions:

- Pay both installments of Real Estate taxes in 2017 and all 2017 State and Local income taxes in 2017, but be mindful of the potential impact of the alternative minimum tax in 2017.
- Individuals should consider accelerating charitable giving to push more into 2017 rather than 2018. Although charitable deductions have been preserved, the actual tax benefit may be reduced as a result of the elimination of most itemized deductions in exchange for a larger standard deduction.
- Entertain clients in 2017, as no part of non-meal-related entertainment expenses will be deductible under the Act. Business meals continue to be 50% deductible, as under current law.
- Deduct all unreimbursed employee business expenses as no deduction will be allowed after 2017.

Recommendations for Recognition of Income:

- Contemplated conversion of IRAs into Roth IRAs should be deferred to 2018. Any IRAs converted earlier in 2017 can be unwound this year and converted after December 31, 2017.
- Defer items included in the AMT computation, such as gain from exercise of incentive stock options, to 2018 in order to take advantage of the increased AMT exclusion amount in the Act.

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