Congress passed the tax reform bill that now awaits the President's signature. Below and attached we would like to share highlights along with some year-end tax planning ideas suggested by the final tax bill. With just days left before the New Year, you will need to act quickly if you want to take advantage of these tax-saving opportunities.

YEAR-END TAX PLANNING OPPORTUNITIES

1) ACCELERATE CHARITABLE GIFTS INTO A SINGLE TAX YEAR

2) PRE-PAY TAXES IF POSSIBLE

3) PRE-PAY MISCELLANEOUS ITEMIZED DEDUCTIONS

4) DEFER INCOME

5) POTENTIALLY REVERSE A 2017 ROTH CONVERSION

6) CONSIDER USING THE IRA CHARITABLE ROLLOVER

YEAR-END TAX PLANNING OPPORTUNITIES

Some of the planning considerations below relate to managing itemized deductions. Given that the Alternative Minimum Tax disallows deductions such as state and local income taxes and property taxes, taxpayers should first determine whether they are likely to be subject to AMT before executing any of these strategies.

THINK BEFORE YOU ACT

Love it or hate it, the new tax bill likely will become the law of the land in the next few days. Like many tax reform bills before it, the changes are complex and confusing. Many of the tax-saving opportunities discussed below depend on the bill actually being signed into law, knowing whether or not you'll be subject to the Alternate Minimum Tax, and executing these strategies before year end.

1) ACCELERATE CHARITABLE GIFTS INTO A SINGLE TAX YEAR

Review your itemized deductions—excluding charitable donations—under the new rules. You may want to group your charitable gifting into a single year to maximize itemized deductions.
Example: Rob and Maria pay $8,000 in mortgage interest and $10,000 in state and local taxes (new limit). Since their new standard deduction is $24,000, the first $6,000 of charitable giving would not produce a tax benefit ($24,000 – $8,000 – $10,000 = $16,000). Assume Rob and Maria give $10,000 to charity each year. Rob and Maria could maximize their deduction by giving $40,000 to charity in a single year and opting for the standard deduction in the following three years. If Rob and Maria prefer to make gifts each year, they could donate $40,000 to a donor-advised fund in year 1 and dole out $10,000 per year to charity in subsequent years. (**Note:** Ideally, you should gift appreciated securities rather than cash to avoid paying unnecessary capital gain taxes.)

Also, if your tax rate (factoring in the potential for AMT) is likely to be lower in 2018 than in 2017, you may benefit from accelerating charitable giving in 2017.

2) PRE-PAY TAXES IF POSSIBLE

Popular itemized deductions such as state and local income taxes and property taxes are disallowed under the Alternative Minimum Tax (AMT). However, if you aren't likely to be subject to AMT in 2017, you may be able to save money by prepaying these taxes.

Given the new $10,000 limit on the 'SALT' (State & Local Taxes) deductions that apply in 2018, you may want to consider prepaying state and local income taxes and property taxes before 12/31/2017 so these payments will still be deductible.

Important note: The tax bill closed the loophole allowing taxpayers to prepay taxes for following years which means state and local income taxes attributable to 2018 can be claimed only as a 2018 deduction. This means a taxpayer can't benefit by prepaying 2018 income taxes in 2017.

3) PRE-PAY MISCELLANEOUS ITEMIZED DEDUCTIONS

If you're not likely to be subject to AMT in 2017, consider pre-paying miscellaneous itemized deductions such as employee business expenses, tax preparation fees or investment advisory fees, as miscellaneous deductions are eliminated under the new tax bill. Miscellaneous itemized deductions must exceed 2% of AGI to be deductible.

4) DEFER INCOME

While salaried employees likely cannot defer income, business owners may be able to defer income into 2018. Assuming your 2018 projected tax rate is lower than your 2017 tax rate, push income from this year to the next.

5) POTENTIALLY REVERSE A 2017 ROTH CONVERSION

The new tax bill eliminates the ability to unwind Roth conversions as of 1/1/2018. Taxpayers who completed a 2017 Roth conversion are likely to have benefited given significant 2017 market gains (and are thus less likely to want to unwind a successful Roth conversion). That said, certain taxpayers might have unique 2017 tax considerations for which unwinding a portion of the Roth conversion could make sense.

6) CONSIDER USING THE IRA CHARITABLE ROLLOVER

Charitably-inclined taxpayers over age 70½ might want to consider using an IRA Charitable Rollover to satisfy Required Minimum Distributions (RMDs). **Taxpayers over age 70½ can transfer up to $100,000 each year to charity; the distribution neither counts as taxable income nor an itemized deduction.** Since some taxpayers may see a portion of their charitable giving provide less tax benefit (as explained above, due to the increased standard deduction), using this provision leverages the effectiveness of charitable giving.

INDIVIDUAL TAXES

There are many changes in the new tax bill for individual taxpayers. Here are some key provisions.

INCOME TAX BRACKETS

While the House tax bill reduced the number of tax brackets to four, **the final tax bill retained seven income brackets and cut the top bracket from 39.6% to 37%**. Individual tax cuts are **temporary** and will expire after 2025. While a future Congress could extend any expiring tax cuts, there's no guarantee that will happen. Whether your taxes will decrease depends on multiple factors, including how your income is characterized and whether you'll be subject to the revised Alternative Minimum Tax.

CURRENT TAX RATES

TAX RATE	SINGLE	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY
10%	$0	$0	$0
15%	$9,525	$13,600	$19,050
25%	$38,700	$51,850	$77,400
28%	$93,700	$133,850	$156,150
33%	$195,450	$216,700	$237,950
35%	$424,950	$424,950	$424,950
39.6%	$426,700	$453,350	$480,050

2018 TAX RATES

TAX RATE	SINGLE	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY
10%	$0	$0	$0
12%	$9,525	$13,600	$19,050
22%	$38,700	$51,800	$77,400
24%	$82,500	$82,500	$165,000
32%	$157,500	$157,500	$315,000
35%	$200,000	$200,000	$400,000
37%	$500,000	$500,000	$600,000

ALTERNATIVE MINIMUM TAX (AMT)

The final tax bill retained the AMT, much to the dismay of the House and the more than four million households subject to the AMT, but Congress did make some welcome changes:

- Increased the amount that taxpayers can deduct from alternative minimum taxable income (the 'AMT exemption')
- Significantly increased the phase-out range that applies to the AMT exemption:

ALTERNATIVE MINIMUM TAX EXEMPTION	CURRENT	NEW TAX BILL
Individual taxpayers	$84,500	$109,400
Joint filers	$54,300	$70,300
THE PHASEOUT RANGE FOR AMT	**CURRENT**	**NEW TAX BILL**
Individual taxpayers	$120,700	$500,000
Joint filers	$160,900	$1,000,000

Between the increased exemption amounts and big increase in the phase-out ranges, fewer households will be subject to the AMT, and those who still pay the AMT will owe a smaller amount.

PASS-THROUGH INCOME

Pass-through owners that meeting certain conditions would be able to deduct up to 20% of "qualified business income" from a partnership, S-corporation, or sole proprietorship. However, the 20% deduction phases out over the following income ranges: $315,000-$415,000 for joint filers and $157,500-$207,500 for other filers. Owners of certain service businesses (such as law, medical, and accounting firms) are eligible for the deduction only if their income falls below the initial threshold ($315,000 for joint filers, and $157,500 for other filers).

ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX

Existing exemptions will nearly double to $11.2MM per person and will be indexed annually for inflation. The exemptions revert to current levels after 2025. Congress was considering eliminating the current step-up in cost basis at death, but the conference report retains the current provisions.

PERSONAL EXEMPTION

The personal exemption has been eliminated as of 2018. For 2017, the exemption is $4,050 each for taxpayers, spouses, and qualified dependents, subject to income limits.

STANDARD DEDUCTION

The tax bill nearly doubles the standard deduction:

STANDARD DEDUCTION	CURRENT	NEW TAX BILL
Single taxpayers	$6,350	$12,000
Head of household	$9,550	$18,000
Married filing jointly	$12,700	$24,000

Currently, approximately 45 million taxpayers itemize deductions. Since the new tax bill nearly doubles the standard deduction, estimates suggest up to 25 million taxpayers will choose the standard deduction instead.

CHILD TAX CREDIT

The child tax credit increases substantially from $1,000 to $2,000 per child under age 17. The refundable portion of the credit adjusts upward to $1,400. Congress also boosted the initial threshold for the phase-out of the credit; it begins at $400,000 for joint filers (up from $110,000) and at $200,000 for other filers (up from $75,000).

MORTGAGE INTEREST DEDUCTION

Existing mortgages (pre-12/15/17) are grandfathered under current law with the $1,000,000 mortgage limit. Under the new tax bill, mortgage interest is limited to $750,000. If you're on the bubble, it might pay to close the deal before year end.

HOME EQUITY LOAN INTEREST DEDUCTION

This deduction has been eliminated as of 2018.

STATE & LOCAL TAX DEDUCTION ('SALT')

Congress hotly debated whether to retain this deduction. **The final version of the new tax bill allows taxpayers to deduct up to $10,000 (total) for property taxes PLUS the greater of state and local income taxes OR sales taxes.** In states where state and local taxes are high, this change likely will cost taxpayers more.

CHARITABLE DONATIONS

With one exception, Congress did not change the charitable deduction: cash contributions to public charities will now be allowed up to 60% of AGI. The current cap is 50% of AGI.

MEDICAL EXPENSE DEDUCTION

The tax bill drops the threshold for the medical expense deduction to 7.5% of AGI for 2017 and 2018. Starting in 2019 and going forward, the deduction again will be available only when expenses exceed 10% of AGI.

MISCELLANEOUS ITEMIZED DEDUCTIONS

The new tax bill eliminates all miscellaneous itemized deductions such as unreimbursed job expenses, investment expenses, tax preparation fees, and legal expenses. Going forward (2018 and beyond), itemized deductions will primarily include:

- Medical Expense Deductions (as allowed)
- State and Local Tax ('SALT') Deduction (capped at $10,000 for the total of property taxes plus either state and local income taxes or sales taxes)
- Mortgage Interest Deduction (2018 mortgages will be subject to new lower $750,000 limit)
- Charitable Deductions

529 PLANS

College savings plans are typically designated for higher education expenses. Under the new tax bill, taxpayers may distribute up to $10,000 per child per year for K-12 expenses.

ALIMONY

For divorce or separation agreements executed after December 31, 2018, alimony and separation maintenance payments will be neither deductible by the payor spouse, nor taxable income for the payee (recipient) spouse.

RETIREMENT ACCOUNT/PLAN PROVISIONS

RETIREMENT PLAN CONTRIBUTIONS

Congress considered limiting pre-tax contributions to retirement plans with a requirement that certain contributions be made on after-tax basis (“Rothification”), but opted not to alter current contribution provisions.

ROTH IRA RECHARACTERIZATIONS

Under current law, a taxpayer who completes a Roth conversion has until October 15th of the following year to unwind a Roth conversion (Roth conversions can be treated as if they never happened). This ‘do-over’ is eliminated as of 1/1/2018.

NON-QUALIFIED DEFERRED COMPENSATION PLANS

The final tax bill didn’t change these plans.

OUTSTANDING RETIREMENT PLAN LOANS

Under the final bill, participants who separate from service with an outstanding loan against their plan balance have until the tax return due date for that year to repay the loan balance to an IRA (effective 1/1/2018).

CORPORATE TAXES

CORPORATE TAX RATE

The tax bill permanently cuts the top 35% corporate tax rate to 21% as of 2018.

CORPORATE ALTERNATIVE MINIMUM TAX (AMT)

The tax bill permanently repeals the corporate AMT.

TAXATION OF MULTI-NATIONAL CORPORATIONS

The bill shifts the U.S. from a worldwide system to a territorial system in which only domestic profits would be taxed. The bill includes certain anti-abuse tax provisions.

DEEMED REPATRIATION

Currently deferred foreign profits will be deemed and taxed as repatriated at 15.5% for liquid assets and 8.0% for illiquid assets.

DEPRECIATION

Under the Tax Bill, the current law would be amended to provide for 100-percent expensing, which will allow taxpayers to immediately write off the cost of property acquired and placed in service after Sept. 27, 2017 and before Jan. 1, 2023 (Jan. 1, 2024 for longer production period property and certain aircraft). Through the efforts of NBAA and a coalition of general aviation groups, the new law would permit 100 percent expensing by the taxpayer for both factory-new and pre-owned aircraft so long as it is the taxpayer's first use of the aircraft. For tax years after 2022, the bill provides for a phase down of bonus depreciation in increments of 20 percent each year for qualified aircraft acquired and placed in service before Jan. 1, 2027 (Jan. 1, 2028 for longer production period property and certain aircraft).

LIKE-KIND EXCHANGES

Under current law, when property held for the productive use in the taxpayer's trade or business or for investment is exchanged for property that is "like-kind", a special rule under Internal Revenue Code, IRC, section 1031 provides that no gain or loss is recognized to the extent of that the replacement property is also held for productive use in a trade or business or for investment purposes.

The tax bill modifies this special rule only to allow for like-kind exchanges of real property. As a result, taxpayers will no longer be eligible to defer taxable gain on property via a like-kind exchange and the gain would be subject to recapture for tax purposes. This provision is effective for transfers after 2017 and is a permanent repeal of the application of IRC Section 1031rules to changes involving property other than real property such as real estate.

We urge you to consult your tax professional for advice before you act, and please contact us for help implementing any of these strategies.

We wish you happy holidays and a joyous and prosperous New Year.