

TAX CODE REFORM UNPACKED



CERTIFIED PUBLIC
ACCOUNTANTS

LISTENING THINKING LEADING

Clarity from your trusted VSH CPA Advisors



Bob Sytsma,
CPA Partner



Kathy Herndon,
CPA Partner



Kari Doss,
CPA Manager



A team of 50 deeply
invested in our communities



CERTIFIED PUBLIC ACCOUNTANTS

LISTENING THINKING LEADING

EXIT PLANNING



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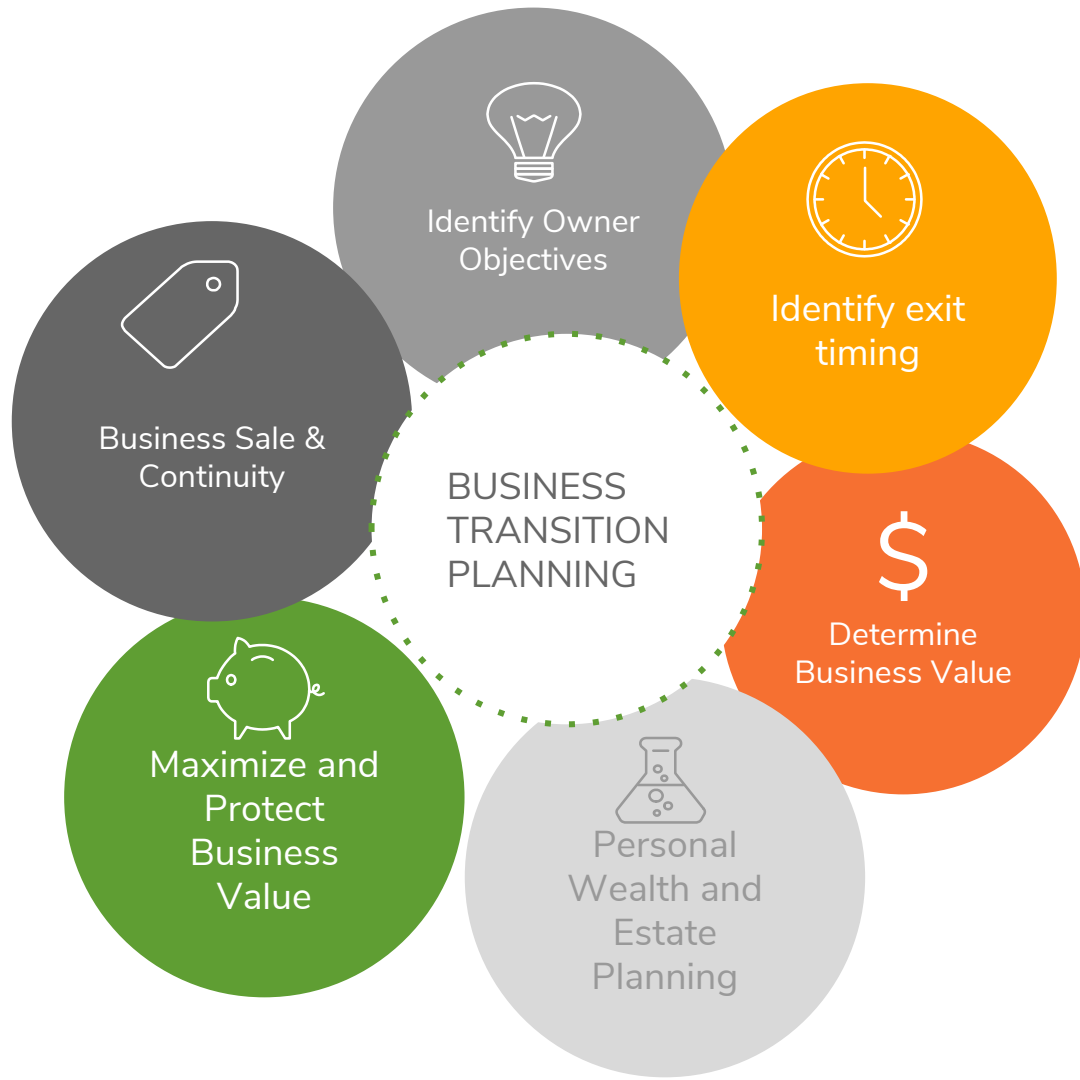
Planning is Crucial to the best exit strategy to maximize your company's value. At VSH we commit to you through:

- Leading your planning advisory team
- Providing a Business Valuation Report
- Creating Value Enhancement Analysis and Recommendations
- Business Value Protection Strategies
- Cash Flow forecast/projection

Your Business Partner, specializing in Transition Planning



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In the year 1986



Bob Sytsma, CPA
Partner



Kathy Herndon, CPA
Partner



Kari Doss, CPA
Manager



TAX REFORM UNPACKED

- Individual
- Not for Profit
- Partnerships and Pass-Thru Entities
- Corporate
- Research and Orphan Drug Credit
- International
- Compensation and Benefits
- Accounting Methods and Cost Recovery
- Accounting for Income Taxes



OUR FOCUS FOR TODAY

- Corporate Tax Changes
- Pass-Through Entity Changes
- Individual Tax Changes
- Estate and Gifting
- +...



GOALS OF REFORM

CORPORATE TAX BENEFITS

**TAX CUTS &
JOBS ACT**



VSH SERVES CLIENTS AROUND THE WORLD



35%

(2017)

**DRASTIC
CORPORATE TAX
RATE REDUCTION**

21%

(2018)



COMPANIES ARE PAYING IT FORWARD

REINVESTING CAPITAL



KEY CHANGES IN 2018+

1.
BONUS
DEPRECIATION
AND FULL
EXPENSING

2.
CORPORATE
NET
OPERATING
LOSSES

3.
LIMITATION ON
INTEREST
DEDUCTIONS

All drive behaviors

20%

(2018)

**DEDUCTIONS FOR
QUALIFIED
BUSINESS INCOME**

Partnerships (LLCS)

&

Pass-Through
Entities
(S-Corps)

&

Others
(K1 or Schedule C)

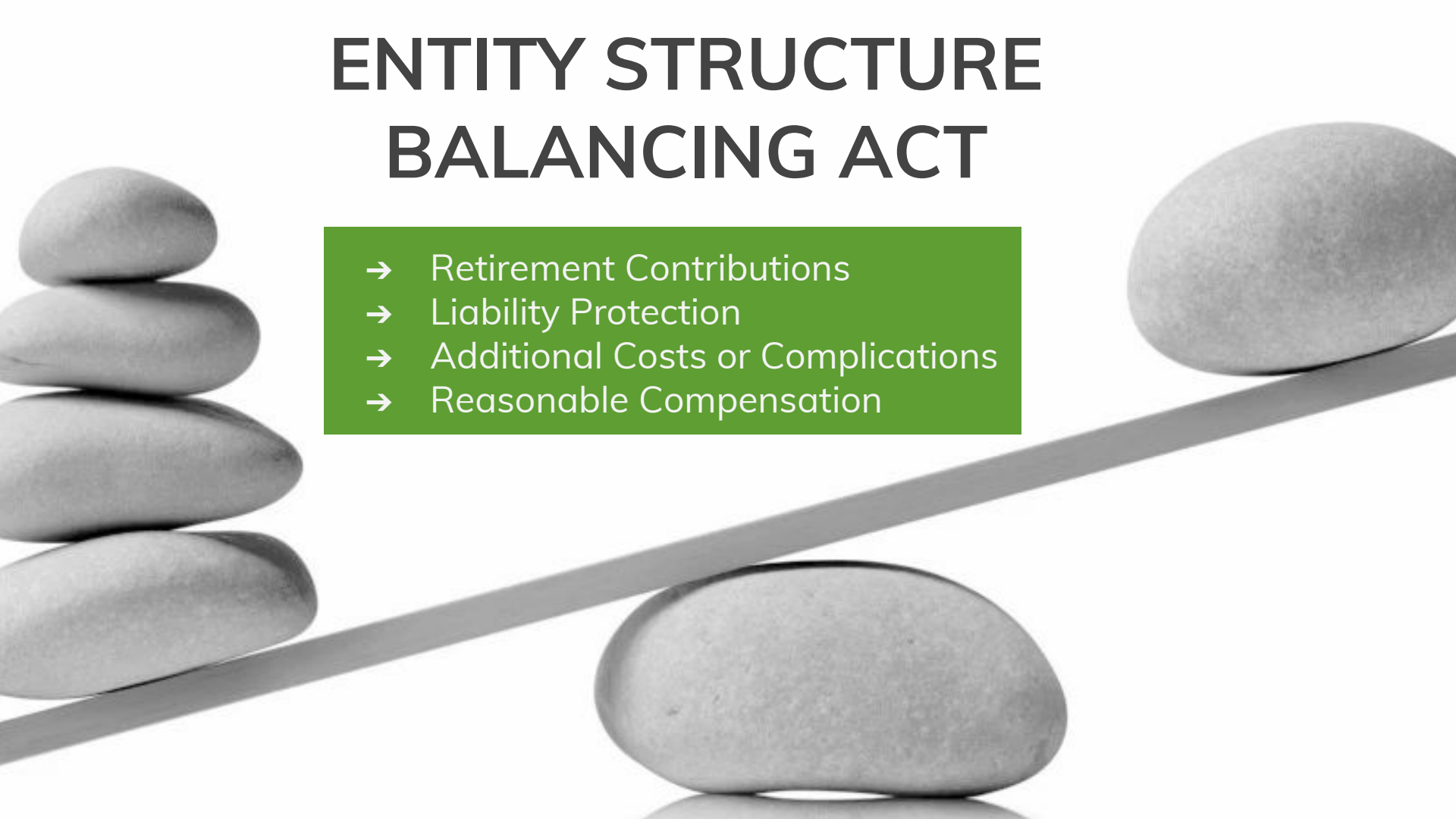
Income **\$100,000**

Deduction
Percentage **20%**

Deduction **\$ 20,000**

Net Taxable **\$ 80,000**

ENTITY STRUCTURE BALANCING ACT

- 
- Retirement Contributions
 - Liability Protection
 - Additional Costs or Complications
 - Reasonable Compensation

PLANNING CREATES GREAT DIVIDENDS

| | S-Corp or LLC | Sole Proprietor |
|---------------------------|---------------|-----------------|
| NET INCOME | \$200,000 | \$200,000 |
| OWNER WAGE | \$100,000 | 0 |
| QUALIFIED BUSINESS INCOME | \$100,000 | \$200,000 |
| DEDUCTION PERCENTAGE | 20% | 20% |
| CALCULATED DEDUCTION | \$ 20,000 | \$ 40,000 |

TAXABLE INCOME PHASE OUT



\$315,000



\$415,000



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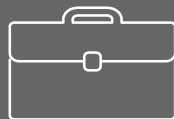
Deduction Limitations

Incentives
are linked to
job creation
and
domestic
investment

health



law



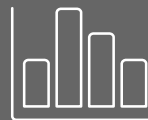
financial
services



consulting



accounting



other misc.
services



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ENTERTAINMENT AND MEAL EXPENSES

No deduction for entertainment activity

50% limitation for meals



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KEY TAKEAWAYS

Planning is
Critical

Pay Attention
and Check in



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BIG CHANGES

...for individuals

\$4,050 exemption pp
Family of four: \$16,200
(2017)

**REMOVAL OF
INDIVIDUAL
EXEMPTION**

0

(2018)



STANDARD DEDUCTION

\$24,000 (2018)

Married filing jointly

\$12,000 (2018)

single

\$12,600 (2017)

Married filing jointly

\$6,300 (2017)

single



When to itemize

HIGHEST BRACKET

\$77,400-165,000

39.6%

(2017)

25%

(2017)

37%

(2018)

22%

(2018)

29.6%

(2018 post QBID)

17.6%

(2018)

ALIMONY CHANGES

| | <2018 | 2019 |
|-------------------|----------------|-----------------|
| INCOME | 300K | 300K |
| ALIMONY DEDUCTION | (90K) | 0 |
| CHILD TAX CREDIT | (1K) | (2K) |
| TAXABLE INCOME | 209K | 298K |
| TAX LIABILITY | 28% = \$58,520 | 35% = \$104,300 |

200K
(income)

2017 est. tax \$34,000

2018 est. tax \$26,400



DIFFERENCE: \$7,600



400K
(income)

2017 est. tax \$100,000

2018 est. tax \$ 82,300



DIFFERENCE: \$ 17,700



ESTATE TAX EXEMPTION AMOUNTS DOUBLE

\$5.6 M → \$11.2 M

**Washington State unchanged at \$2 M*

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Individuals – Itemized Deductions

Prior Law

- Itemized deductions:
 - Medical Expenses (above 10% of AGI)
 - State and local taxes paid
 - Real Estate taxes
 - Mortgage interest
 - Charitable Contributions
 - Unreimbursed employee expenses
 - Tax prep fees
 - Investment expenses

Law starting 2018

- Itemized deductions:
 - Mortgage interest allowable on indebtedness up to \$750,000 (prior law limit of \$1 million)
 - State and local taxes limited to \$10,000 or property taxes
 - Charitable Contributions
 - Medical expenses (above 7.5%)
 - Miscellaneous Itemized deductions removed (unreimbursed employee expenses, tax prep fees, investment expenses)
 - Home equity interest deduction is suspended
 - Sales tax on specific items no longer deductible



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