Tax reform: Key provisions of the Tax Cuts and Jobs Act

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Today’s presenters

**Don Susswein**
Principal
- Member of Washington National Tax
- Don has more than 25 years of experience consulting in addition to serving as majority tax counsel to the U.S. Senate Committee on Finance.

**Ramon Camacho**
Principal
- Member of Washington National Tax
- Advises clients on international tax and capital markets issues, including due diligence and documentation initiatives and restructurings. 23+ years international tax experience.

**Charlie Ratner**
Senior Director
- Member of Washington National Tax
- Charlie has 30+ years experience in estate and business succession planning and life insurance consulting.
Overview of the bill and its domestic business provisions
Is this tax reform?

• Does the bill measure economic income more accurately?

• Does the bill reduce the impact of taxes on economic activity?

• Does the bill make tax planning or tax compliance simpler or less costly?

• Can tax reform be different from income tax reform?
Is this good for the middle class? The parable of the chef.

• Local restaurant owner/chef makes $150,000 and has current tax bill of $20,000

• A proportional 3.5 percent tax cut would be worth $700

• What will a corporate rate cut do? An international cut?

• What about a reduced rate for individual, passive investors to allow him to expand the business to 5 or 10 locations? Why isn’t the capital gains preference enough to allow him to attract capital?

• Or should the reduced rate be limited to active investors – like the chef himself?
Major new or renewed concepts and provisions

• Corporate rate dramatically lower than top individual rate

• All-in corporate plus dividend or capital gain rate slightly lower than top individual rate

• Pass-through effective rate, for qualifying income, lower than normal ordinary income tax rate for salaries or portfolio income

• Limitations on business interest deductions, even for payments to unrelated lenders
Fast, fiscal facts
The actual legislation – from 100,000 feet!

• Cuts $1.5 trillion of taxes over the next ten years
  – 3.5 percent of otherwise expected federal revenues
  – But not everyone gets a simple 3.5 percent tax cut

“All [taxpayers] are equal, but some [taxpayers] are more equal than others.” – George Orwell
Who gets a tax cut? Individuals vs business

- 56 percent of the tax cuts go to individuals
- 44 percent of the tax cuts go to business
- Are these statistics meaningful, or misleading?
Who is paying the bulk of the income taxes now?

- According to the Joint Committee on Taxation (JCT) –
  - Individuals get 56 percent of the tax cuts
  - Business (i.e., corporations) get 44 percent of the tax cuts

- If the tax cuts were roughly proportional to the distribution of current individual and corporate income taxes paid –
  - Individuals would get 86 percent of the tax cuts
  - Corporations would get only 14 percent of the tax cuts
  - Even more skewed towards individuals if you included payroll taxes
The vast bulk of federal revenues come from individuals, there is no other ready source.

Revenues in 2016

Billions of Dollars

- **Individual Income Taxes**: $1.546 Billion
- **Payroll (Social Insurance) Taxes**: $1.115 Billion
  - Old-Age, Survivors, and Disability Insurance: $810 Billion
  - Hospital Insurance: $247 Billion
  - Other: $58 Billion
- **Corporate Income Taxes**: $300 Billion
- **Other**: $306 Billion
  - Federal Reserve Remittances: $116 Billion
  - Excise Taxes: $95 Billion
  - Miscellaneous Fees and Fines: $35 Billion
  - Estate and Gift Taxes: $39 Billion
  - Customs Duties: $21 Billion

*Source: Congressional Budget Office*
And . . . U.S. personal income is predominantly wages and salaries of middle-income taxpayers – not high-income investment or business income.
Other key business provisions

- Corporate rate cuts = ($1.35 trillion)
- Pass-through cuts = ($414 billion)
- Limit pass-through losses = $149.7 billion
- Limit net interest = $253.4 billion
- Limit net operating losses (NOLs) = $201.1 billion
- End domestic production deduction = $98 billion
- R&E (research) amortization = $119.7 billion
- International = $324.4 billion
International provisions — a modest revenue raiser at around $324 billion

But is reducing a tax rate to get corporations to agree to pay a tax they would otherwise defer a tax cut or a tax increase?

Domestic corporate rate cuts designed to attract business to the U.S.

Will lowering taxes on offshore investments of U.S. companies have the opposite effect?

Or will anti-abuse rules protect us?
Highlight of the new law – corporate rate cuts
Reducing 35 percent to 21 percent – an example for an individual shareholder

- **Current income tax rules**
  - $100 of corporate income
    - Less $35 tax at 35 percent rate
  - $65 of cash on balance sheet
    - Less $13 tax at 20 percent rate
  - $52 of after tax cash
    - 48 percent combined income tax rate
    - 3.8 percent tax on $65 or $2.47
    - All-in 50.47 percent tax rate

- **Proposed income tax rules**
  - $100 of corporate income
    - Less $21 tax at 21 percent rate
  - $79 of cash on balance sheet
    - Less $15.8 tax at 20 percent rate
  - $63.2 of after tax cash
    - 36.8 percent combined income tax rate
    - 3.8 percent tax on $79 or $3
    - All-in 39.8 percent tax rate
Planning around the new rates

• Proposed income tax rules
  – $100 of corporate income
    • Less $21 tax at 21 percent rate
  – $79 of cash on balance sheet
    • Less $15.8 tax at 20 percent rate
  – $63.2 of after tax cash
    • 36.8 percent combined income tax rate
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• Planning opportunities
  – Defer the 20 percent tax and 3.8 percent tax by reinvesting cash in the business
  – Avoid the 20 percent and 3.8 percent tax at death
    • Or with stock gifts to charity that would otherwise be made in cash
  – Reduce the 20 percent and 3.8 percent tax if shares held by lower-rate taxpayers, including from gifts, trusts, etc.
With corporate rates far below individual rates – a blast from the past?

- **Accumulated earnings tax**
  - Section 531
  - Applies to accumulated earnings “beyond the reasonable needs of the business.”

- **Personal holding company tax**
  - Section 541
  - Applies to “incorporated talents” or pocket-books

- **Section 482**
  - Reallocate items among commonly controlled businesses
Details of the reduced corporate tax rate

• Reduction from 35 percent to 21 percent
  – Effective in 2018
  – Repeals alternative minimum tax (AMT)
  – No special 25 percent rate for personal service corporations

• Dividends received deductions (DRD) for corporation-to-corporation dividends adjusted accordingly
  – Reduces 80 percent DRD to 65 percent and 70 percent DRD to 50 percent to preserve current effective rates
Best of both worlds – still valuable depreciation, expensing, bonus depreciation
Ultimate changes to depreciation complex and hard to analyze at this point, but generally speaking –

• Basic, pre-bonus depreciation rules, viewed as non-economic by some, remain in baseline

• 100 percent bonus depreciation through 2022, then phased out through 2026. Applies to new and used property acquired.

• $1 million permanent expensing under Section 179, subject to limitations and phase-outs

• Changes to real property depreciation complex, and may depend on choice of whether to apply business interest limitations
Paying the piper – business interest deductions cutback
Important changes to interest limitations

- Caps net interest deduction at 30 percent of an amount based on earnings (EBITDA) for four years, then limits the deduction to 30 percent of earnings before interest and taxes (EBIT)

- Taxpayers with average gross receipts of $25 million or less and car dealers using floor plan financing loans to fund their inventory are excluded from the interest limitation

- Allows ‘limited’ deductions to carry forward forever

- Various exceptions for real estate, utilities, farming, and certain small businesses

- Special rules for partners and partnerships
Interest limitation using EBITDA

Company worth $3 million
Debt of $2 million @5%
Equity of $1 million

Earnings before interest and depreciation = $500,000
Depreciation = $200,000
Interest = $100,000
Taxable income before limitation = $200,000

Base for limitation = $500,000

30% of base = $150,000
No limitation applies

Carryforward allowed indefinitely
Interest limitation using EBIT

Company worth $3 million
Debt of $2 million @5%
Equity of $1 million

**Earnings before interest and depreciation = $500,000**
**Depreciation = $200,000**
**Interest = $100,000**
**Taxable income before limitation = $200,000**

**Base for limitation = $300,000**

30% of base = $90,000
$10,000 interest is ‘limited’

Carryforward allowed indefinitely
Other important business deduction limitations, liberalizations, or deferrals
Good news

- Generally, expanded use of cash method of accounting for small C corporations and partnerships with C corporation partners
- Expands the uniform capitalization (UNICAP) small business exception
- Generally exempts certain small business taxpayers form requirement to keep inventory
- Expands percentage of completion method exception for certain construction contracts
- Retains research and development credit
Not good news

• No more manufacturer’s deduction

• No more NOL carrybacks – and a mixed bag of limitations and modifications to the carryforward rules

• Modifies the exclusion from income of certain contributions to capital (e.g., state/city grants)

• Limits like-kind-exchanges to certain real property

• Increased limitations on deductibility of certain expenses of entertainment, etc.
Pass-through entities
20 percent pass-through deduction in a nutshell

- Applies to operating income of active businesses
- Does not apply, generally, to professions or financial businesses
- Business must either –
  - Pay W-2 wages equal to 40 percent of income to get the full 20 percent deduction
  - Limit deduction to 2.5 percent of original cost of depreciable, tangible property plus 25 percent of wages
- Business type and wage/asset limits do not apply below specified income limits
Revising the rate reductions for individuals investing in C corporations

- **Current income tax rules**
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Example 1 – for high income taxpayers

- Investor with $1 million of salary income buys an empty lot for $1 million, paying $200,000 of cash and borrowing $800,000 at 5 percent interest, to use as a parking lot that generates gross parking fees of $200,000.

- With $200,000 of gross income, but paying $40,000 to an independent contractor to manage the lot, and $20,000 for insurance and $40,000 of interest, there is $100,000 of net income.

- The 20 percent deduction does not apply – not enough ‘wages’ and not enough ‘depreciable property’.
Example 2 – for high income taxpayers

- Investor with $1 million of salary income buys an empty lot for $1 million, paying $200,000 of cash and borrowing $800,000 at 5 percent interest, to use as a parking lot that generates gross parking fees of $200,000.

- With $200,000 of gross income, but paying $40,000 to an employee to manage the lot, and $20,000 for insurance and $40,000 of interest, there is $100,000 of net income.

- The 20 percent deduction of $20,000 applies – because at least $40,000 of wages were paid!
Example 3 – for high income taxpayers

• Investor with $1 million of salary income buys parking structure for $1 million, paying $200,000 of cash and borrowing $800,000 at 5 percent interest, to generate gross parking fees of $200,000. With $200,000 of gross income, but paying $40,000 to a contractor to manage the facility, and $20,000 for insurance and $40,000 of interest, there is $100,000 of net income. Assume no depreciation deductions for simplicity.

• Even without wages the $20,000 deduction would be allowed.
  - The alternative annual limitation is 2.5 percent of the taxpayer’s original $1 million investment in depreciable tangible property or $25,000 – plus 25 percent of wages paid if any.
  - $1 million base is not ‘depreciated’ down – it is unadjusted – for 10 years or full life if longer – as long as property is used in business.
  - Effectively assumes ‘normal’ return is 12.5 percent
Example 4 – for high income taxpayers

• Meets ‘wage’ test and ‘asset’ test!

• But leases the garage to a hospital for their patients and visitors

• Maybe all benefits are disallowed because this is a forbidden business providing services in the field of ‘health’

• Certainly that limit would apply to an investment in a radiology center, or urgent care facility, even if the investor were passive, not a physician providing services
For joint filers with incomes below $315,000 (and comparable single filers) – a special rule

- No wage or asset requirements, and no service business limitations
  - Phased-out quickly as income rises from $315,000 to $415,000
    - Close to 100 percent marginal tax rate?
  - Many lawyers, accountants, physicians and dentists probably earn under $315,000 of household income
  - For two married accountants, lawyers, physicians, or dentists each earning $150,000, the total deduction is $60,000 for a tax cut in the range of $15,000
Problems and issues

• Employee versus independent contractor?
  − Conversions under $315,000?

• Are all ‘service businesses’ without large physical plants disqualified because their ‘principal asset’ is the skill and reputation of their employees or owners?

• Are dermatology clinics forbidden, but tanning salons allowed?
  − Is there a better way?

• Can an owner without wages or assets pay himself a wage and get a 14 percent deduction, in effect?
  − Can partners be employees?

• Will ‘reasonable compensation’ rules apply to S corporations?
  − Will they apply to partnerships or proprietorships?
No benefits (above the income threshold) for owners of ‘specified service businesses’ defined as –

- Any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or
- Any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees [OR OWNERS],

- What does this mean?
Close-up on real estate
Multiple moving pieces in commercial real estate

- Reduced pass-through tax (via deduction) likely to apply in many cases
- Real estate investment trusts (REITs) automatically get that benefit, possibly including mortgage REITs
- Potentially serious limits on ‘active losses’
- Business interest disallowance will not apply
  - But at the cost of some depreciation benefits
- Like-kind-exchanges preserved
- Carried interest defined, but essentially preserved, longer holding period
Close-up on profits interests and carried interests
Treatment of carried interest

• Expressly recognizes the concept of different treatment for profits interests in an ‘applicable trade or business’ defined as –
  – A regular, continuous and substantial activity of
  – Raising or returning capital, and either
    • Investing in or disposing of specified assets, or
    • Developing specified assets
  – Specified assets include securities, commodities, real estate, cash, options, derivatives, and partnership interests
• But, for now, only applies a three-year holding period
Close-up on private equity
Issues for private equity

- Generally good news for treatment of carried interest
- Business interest limitations may limit leverage
- NOL rules and other rules may require restructuring
- Reconsider choice of entity (partnership vs. corporation) for portfolio companies
- Founders or other individuals may have rate issues, self-employment issues and net investment income tax issues
Overview of the international business provisions
Why do we need international tax reform?

- International and business tax proposals are new to U.S. but not to the rest of the world
- Consistent with global trends and U.S. is catching up
  - Lower corporate rates in Europe and many other countries
  - Territorial system elsewhere
- Argument is competitive tax system will increase employment
  - German experiment
  - Tax is one leg of the stool: health care and education
Territorial system for foreign earnings

- Conference proposes a new dividends received deduction (DRD) category with complex rules
  - U.S. corporations may deduct dividends paid by ‘specified 10 percent owned foreign corporations’
  - No foreign tax credit (FTC) or deduction for foreign taxes on amounts deducted
  - No deduction for dividends that are ‘hybrid’ payments
  - Effective 2018

- Territorial system is a major break from worldwide system but all major aspects of U.S. international tax rules remain in place (subpart F, transfer pricing, FTC, etc.)
What about offshore earnings?

- New tax holiday for offshore earnings:
  - Deferred offshore earnings taxed in 2017 for calendar year ‘deferred income corps’; ‘clears the earnings & profits (E&P) decks’
  - Two tier rates (15.5 percent /8 percent): cash vs non-cash assets
  - Applies to a U.S. shareholder (individuals will get slightly higher rates)
  - Must take into account share of ‘aggregate’ earnings in all foreign countries
  - But can offset positive earnings in some foreign countries with deficits of others
  - Election to defer payment of tax over eight years
  - Special election for S Corp shareholders – can defer until triggering event (e.g., sale or liquidation)
Base erosion/anti abuse tax (BEAT)

- 10 percent minimum tax on U.S. corporations (5 percent for 2018)
- Applies where 10 percent of ‘modified taxable income’ (MTI) exceeds regular tax
- MTI is taxable income without regard to base erosion tax benefit (i.e., no deduction for base erosion payments)
- Base erosion payments include any deductible amount paid/accrued to a foreign related party
  - Includes payments for depreciable property or insurance payment
  - Excludes items that reduce gross receipts (like cost of goods sold)
- BEAT applies to U.S. corporations, 500mm of gross receipts if base erosion percentage is 3 percent or higher
- Clients with global supply chains will likely be affected
GILTI and foreign intangible income

• Section 250 imposes a tax on:
  – Foreign derived intangible income (FDII) (13.125 percent) and
  – Global intangible low taxed income (GILTI) (10.5 percent)

• Broadly speaking GILTI and FDII equal gross income minus an appropriate (10 percent) return on the tangible assets of the corporation

• Special rates do not apply to individuals
Significant technical changes

- Proposal to make controlled foreign corporation (CFC) look through permanent *dropped*
- 30 day rule for CFC status eliminated
- U.S. shareholder status given to owner of 10 percent of value
- Proposals to eliminate Section 956 for corporate shareholders *dropped*
- Gain on transfer of foreign branches with prior losses
- Acceleration of world wide allocation of interest rules *dropped*
- Would repeal *Grecian Case*
## High level planning considerations

<table>
<thead>
<tr>
<th>Planning area</th>
<th>Opportunity</th>
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<tbody>
<tr>
<td>Timing</td>
<td>• Accelerate/defer income or expense</td>
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<tr>
<td>Entity planning</td>
<td>• Consider classification of foreign entities under territorial system (be mindful of Section 367 consequences on reclassification)</td>
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<td>• Worthless stock deductions in pre-effective period</td>
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<tr>
<td>Supply chain planning</td>
<td>• Taxpayers may need to revisit supply chain structures to mitigate BEAT</td>
</tr>
<tr>
<td></td>
<td>• Taxpayers should review foreign subsidiaries for potential high returns and consider consequences or possible changes to structure or transfer pricing to deal with GILTI or FDII</td>
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<tr>
<td>Treasury management</td>
<td>• Taxpayers should review treasury management structure for possible changes resulting from shift to U.S. territorial system</td>
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<td>• Consider necessity of current intercompany debt structures</td>
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<tr>
<td>Repatriation tax</td>
<td>• Taxpayers will need to ensure earnings and profits and tax pool computations are accurate and consistent with new Section 965 rules to compute correct repatriation tax</td>
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</table>
Industry concerns

- **Financial services**
  - Reversal of *Grecian* case will result in foreign partners being subject to tax and withholding agents (e.g., U.S. partnerships) will have to withhold or face penalties

- **Manufacturing/consumer products companies**
  - BEAT minimum tax
  - GILTI and FDII rules

- **Real estate**
  - Drop in corporate rate also reduces tax incurred on sale of U.S. real property interest
  - Limitation on interest deduction may encourage change in leverage
Overview of the individual and wealth-transfer provisions
A suggested agenda for discussion with your tax advisors

• What are the elements of tax reform that have significant bearing on your situation, i.e., the way you handle your compensation, investments, deductions and, of course, your estate planning.
  – By the way, what about the impact on your state income taxes?

• What steps should you consider taking before year-end?
  – And what should you have lined up to do those things, who’s involved, how long does it take to do, etc.?
### The proposals, annotated

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<tr>
<th></th>
<th>House</th>
<th>Senate</th>
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<tbody>
<tr>
<td>Brackets and rates</td>
<td>Condenses the number of tax brackets from seven to four, including 12, 25, 35 and 39.6 percent brackets</td>
<td>Keeps seven individual income tax brackets, topping out at 38.5 percent at incomes of $500,000/$1 million</td>
<td>Seven tax brackets—10, 12, 22, 24, 32, 35, and 37 percent. The top individual rate of 37 percent will apply at incomes of $500,000/$600,000.</td>
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<tr>
<td>Brackets and rates for estates and trusts</td>
<td>Condenses the number of tax brackets from five to four, including 12, 25, 35 and 39.6 percent brackets</td>
<td>Condenses the number of tax brackets from five to four, including 10, 24, 35 and 38.5 percent brackets</td>
<td>Condenses the number of tax brackets from seven to four, including 10, 24, 35 and 37 percent brackets</td>
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<tr>
<td>Alternative minimum tax</td>
<td>Repeals</td>
<td>Retains, but increases exemptions</td>
<td>Retained with higher exemptions ($70,300/$109,400); phase-out of exemption increased to $500,000/$1,000,000</td>
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The proposals, annotated (cont.)

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<th></th>
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<tr>
<td>Personal exemptions</td>
<td>Repeals</td>
<td>Repeals</td>
<td>Repeals</td>
</tr>
<tr>
<td>Standard deduction</td>
<td>Doubles it</td>
<td>Doubles it</td>
<td>Doubles to $12,000/$24,000; retains additional deduction for blind and elderly</td>
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<tr>
<td>Mortgage interest</td>
<td>Limits deduction for newly purchased principal residences to interest on $500,000 of debt. Grandfathers mortgages existing as of Nov. 2, 2017. No deduction for home equity loans or second homes.</td>
<td>Retains current mortgage interest deduction, but not for home equity loans.</td>
<td>Limits to interest on $750,000 of indebtedness on newly purchased principal and second residences incurred after Dec. 15, 2017; not allowed for home equity loans.</td>
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<tr>
<td><strong>State and local tax deductions</strong></td>
<td>Eliminates deductions for state and local income taxes, but retains a deduction for up to $10,000 for state and local property taxes</td>
<td>Also eliminates deductions for state and local taxes, but retains deduction for up to $10,000 for state and local property taxes</td>
<td>Deduction of up to $10,000 for state and local property, income or sales taxes allowed; Cannot pre-pay 2018 state and local income taxes to get 2017 deduction.</td>
</tr>
<tr>
<td><strong>Charitable contributions</strong></td>
<td>Preserves deduction and increases the AGI limitation for cash contributions to public charities and certain private foundations from 50 percent to 60 percent</td>
<td>Same as House</td>
<td>Deduction preserved, with increase in AGI limitation as noted</td>
</tr>
<tr>
<td><strong>529 plans</strong></td>
<td>Can be used for public, private and religious elementary and secondary schools, as well as home school students</td>
<td>Same as House</td>
<td>Up to $10,000 of 529 plans can be used per student for public, private and religious elementary and secondary schools</td>
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The proposals, annotated (cont.)

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<tr>
<th>Other deductions</th>
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<tr>
<td></td>
<td>Eliminates deductions for casualty and theft losses and alimony</td>
<td>Not address alimony</td>
<td>Deductions for casualty and theft losses limited to those incurred in a disaster area</td>
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<td>Alimony paid for divorce after Dec. 31, 2018 not deductible/includible after 2018</td>
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<th>Miscellaneous deductions</th>
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<tr>
<td>Repeals deduction for expenses in connection with the determination, collection, or refund of any tax</td>
<td>Suspends all miscellaneous itemized deductions that are subject to the 2 percent floor</td>
<td>Eliminates miscellaneous deductions over 2 percent of AGI</td>
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<tr>
<td>Medical expenses</td>
<td>Eliminates deductions for medical expenses</td>
<td>Preserves medical expense deduction, albeit temporarily</td>
<td>Medical expenses exceeding 7.5 percent of AGI deductible for 2017 and 2018; eliminates AMT preference for medical expense deductions for 2017 and 2018.</td>
</tr>
<tr>
<td>Overall limitation on</td>
<td>Repeals the overall limitation on itemized deductions</td>
<td>Same as House</td>
<td>Suspends 3 percent of AGI limit on deductions</td>
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<td>deductions (Pease</td>
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<td>Limitation)</td>
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<tr>
<td>IRA's</td>
<td>Repeals special rule that allows IRA contributions to one</td>
<td>Same as House</td>
<td>Conversion of traditional IRA to a Roth IRA cannot be recharacterized; can still convert traditional IRA into a Roth IRA.</td>
</tr>
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<td>60</td>
<td>type of IRA to be recharacterized as a contribution to the</td>
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<td>Estate, gift and GST tax</td>
<td>Doubles the current estate, gift and GST tax exemptions to approximately $11 million, effective January 2018</td>
<td>Same as House but does not repeal estate tax</td>
<td>Exemptions are doubled to approximately $11 million, effective January 2018. The estate, gift and GST tax rates remain the same as existing law.</td>
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<td>Retains the gift tax</td>
<td>Provisions sunset after 2025</td>
<td>Estate and GST tax not repealed</td>
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<td>Retains stepped-up basis for inherited property</td>
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<td>Provisions sunset after 2025</td>
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<td>Repeals the estate and GST tax in 2025</td>
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Key provisions of current law undisturbed

- Income tax
  - The 3.8 percent tax on investment income under section 1411 and the .9 percent Medicare tax on compensation
  - Tax rates on capital gains and qualified dividends
  - Exclusion of gain on sale of a residence
  - Ability to identify the securities that an investor is deemed to sell, i.e., the Senate’s proposal for a ‘first-in, first out’ method not included
  - Pre-tax contribution limits (including catch-ups) for 401(k) plans
  - Ability for beneficiaries to ‘stretch’ IRA withdrawals out over their lifetimes
  - Student loan interest deductions, adoption assistance programs, dependent care accounts, tuition waivers, employer paid tuition, teacher supplies deduction and Archer medical savings accounts
Observations on impact of reform on estate planning

• Doubling of the exemptions (and indexing thereafter) would effectively repeal the estate tax for many individuals
  – But sunsetting makes the planning more problematic
• The doubling of the estate tax exemption is reason enough to review the estate plan, e.g., the funding of a so-called ‘credit shelter’ trust
• Key inquiries will be
  – Whether the current or projected estate will be taxable in the first place, and
  – Whether there is a need (or, just as important, a desire) to reduce the taxable estate
    • Perhaps just use the increased exemption to fix problems with existing planning
• Plans for estate tax liquidity should be revisited
  – For increased exemptions, sunsetting, etc.
Thank you

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Visit our [tax reform resource center](#) for more information on how legislation can affect your business and tax planning.

### WHAT’S IMPORTANT TO KNOW NOW?

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Thank you for your time!