

WALDWICK CHAMBER OF COMMERCE

1/15/2019

As you may or may not know that on December 22, 2017 the Tax Cuts and Jobs Act was signed.

In a report of June 26, 2018 the new new Act will increase deficits by approximately \$1.85 trillion between 2018 and 2028. They are also projected that Federal debt held by the public will approach 100% of GDP (Gross Domestic Product) by 2028.

In February 2018, the IRS issued proposed regulations to **eliminate 300 Regulations** that have "no current or future applicability under" the Internal Revenue Code. I guess they're finally "throwing out that old junk from the attic that we never use.

In the past 30 months, Congress passed six bills with substantive and significant tax provisions.

For Individuals they have Permanently extended 22 provisions.
Extended 4 provision through 2019.

The Act has reduced the Corporate tax rate to a flat 21% for taxable years beginning after December 31, 2017.

Part of the Small Business Tax Reform which used to allow businesses with \$5 million annual gross receipts to file on a cash has increased the threshold to \$25 million, even if the business is required to maintain inventories.

One Significant New Business deduction is - Section 199A Qualified Business Income. A business taxpayer other than a corporation, shall be allowed a deduction equal to the lesser of

- 1) the combined qualified business income amount of the taxpayer, or
- 2) an amount equal to 20 percent of the excess of
 - a) the taxable income of the taxpayer for the year, over
 - b) the net capital gain of the taxpayer for the year.

As most cases for deductions these are all subject to Modifications, Phase-Ins and Certain types of Income.

Qualified Business Income must naturally be derived from a Qualified Trade or Business which is defined as any trade or business other than a **specified service trade or business** or the trade or business of performing services as an employee. Examples of Specified Trade or Businesses are Health, Law, Accounting, Actuarial, Performing Arts, Consulting, Financial & Brokerage Services and others.

Section 179 Deduction - Businesses can immediately expense more under the new law. The cost of any Section 179 property which was bought and placed in service during the year will now cap out at \$1 million which is up from \$500,000.

There have also been increases to the depreciation limits on luxury automobiles and personal use property.

I hope I haven't bored most of you with all this fun material. Trust me I'm sure all of your accountants are as exciting about these changes as you are.

I know Brian asked me to go over some of the new Business Tax Law changes but I just wanted to touch on a couple of Personal Tax Law changes:

First and foremost are you ready for the new Simple, Fair "Postcard" Tax Filing Forms. We now have just one Tax Form - Form 1040. The Form 1040-EZ and the Short Form 1040-A don't exist any more.

The NEW FORM 1040 is now only two **HALF Pages and Six new Schedules**.

Standard Deductions have approximately doubled from the past:

Single \$6,350 to \$12,000

HOH \$9,350 to \$18,00

MFJ \$12,700 to \$24,000

TAX BRACKETS - Remain at 7 brackets but break points and percentages have changed.

Lowest bracket remains at 10%, highest bracket is reduced to 37% (over \$600K of income) from 39.6% (was over \$480K of income).

Personal Exemptions have been repealed.

Mortgage Interest Limit is now \$750K. Vacation home still qualifies and overall of 1st & 2nd home SALT Deduction

ALL Misc Deductions subject to 2% floor repealed, moving expenses repealed.