

It's March and I am sure by now you have assembled all your tax documents and scheduled a time to meet with your accountant to complete your 2017 tax return. As 2017 came to an end Congress passed the Tax Cuts and Jobs Act, the tax form legislation that made sweeping changes to the Internal Revenue Code, President Trump signed the 1097-page document into law on December 22, 2017.

When Congress last reformed the tax code in 1986, the legislative process took over two years this time it only took two months. Most of the tax law changes take effect on January 1, 2018, and will not affect your 2017 return, however, now may be a good time to speak with your professional advisors so that you can plan for potential changes and impacts on your 2018 tax return.

With any tax law change, there are winners and losers. The tax law act makes changes that affect both individual investors and business owners. The following is a short summary of a few changes that may impact you as an individual investor and taxpayer:

• Tax Rates: The act lowers the top individual tax rate from 39.6% to 37.0%, and applies the tax rate to joint incomes over \$600,000.00 (up from \$470.7k).



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- Investment Taxes: The Act does not change the 20% top rate on dividends and capital gains, or the 3.80% surtax on income imposed by the Affordable Care Act.
- Personal Exemption and Child Credit: The Act eliminates the personal exemption. Instead, the Act increases the child credit to \$2,000 (of which up to \$1,400 is refundable and adds a \$500 credit for other dependents.
- Standard Deduction: The Act roughly doubles the standard deduction to \$24,000 for joint filers (\$12k for single filers) which will allow more people to avoid itemizing.
- Mortgage Interest: The Act reduces the mortgage amount on which interest paid may be deducted from \$1 Million to \$750k. The deduction is retained for second home mortgages, but not for home equity lines of credit.
- Charitable Contributions: The Act does not change the general deduction for charitable contributions. The Act increases the percentage of current year income from which charitable contributions may be deducted from 50% to 60%.
- · Medical Expenses: The Act retains the deduction for medical expenses. Medical expenses incurred in 2018 and 2019 are deductible if they exceed 7.50% of adjusted gross income rather than the 10.0% AGI limit in place in prior years.
- Estate Tax: The Act doubles the estate tax and generation-skipping tax exclusion to \$11.2 Million per person (\$22.4 Million for a married couple) through 2025. The Act also retains the current "stepped up basis" rules that allow an heir to sell inherited assets without paying capital gains tax on appreciation that occurred in the deceased's lifetime.
- Retirement Plans: The Act makes one small change, repealing the ability of an individual to recharacterize a Roth IRA contribution as a Traditional IRA contribution, but continues to allow the recharacterization of a Traditional IRA contribution as a Roth IRA contribution.

The Tax Cuts and Job Acts makes sweeping changes that are likely to significantly impact our businesses and personal investment decisions now and in the coming years. The nuances of the Act present several potential opportunities and pitfalls. Business owners and investors should consult with their professional advisors to determine how the legislation will alter their taxes, both now and in the future when many of the provisions are slated to expire. You should also discuss with your advisors what actions, if any, you might consider making to take full advantage of the changes.

For more information on the Tax Cuts and Jobs Act or if you would like to attend one of our future educational dinner events please feel free to contact us at Cramer & Rauchegger, Inc. Phone: 407-645-4433; E-mail: info@cramerandrauchegger.com or our website: www.cramerandrauchegger.com.

Founded by Orlando natives Scott Cramer and Tom Rauchegger, Cramer and Rauchegger Inc. is an independent advisory firm that specializes in retirement management, estate planning and wealth management for high net worth clients who are close to or currently in retirement.

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