



More Planning Tips for Individuals Under New Tax Act

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As Shanna Yonke mentioned in her January 22, 2018 Legal Update [The New Tax Law Provides Estate Planning Opportunities](#), President Trump signed the Tax Cuts and Jobs Act into law on December 22, 2017. The Act (officially, Public Law 115-97) is the most sweeping tax legislation to be enacted in decades. It is broad in scope, complicated, and will impact almost every aspect of tax, estate, retirement, and business planning. While there has been substantial media coverage of aspects of the new law that affect businesses (especially the new 21% corporate tax rate), that coverage has barely touched on the many provisions that might be relevant to you as an individual.

Here are some examples of changes made by the Act that may affect you:

- Marginal income tax rates have been lowered. The Alternative Minimum Tax (“AMT”) is not repealed but the thresholds for when it applies, phases out, and which items may trigger it have all changed. This might affect the way you invest, calculate your estimated tax payments, and more.
- The standard deduction is doubled, which changes planning for charitable contributions, medical expenses and other items significantly. For example, it might prove advantageous to plan deductions over a several year time span to maximize the amounts deductible.
- State and local taxes (property and income) will only be deductible up to \$10,000. This will affect many aspects of home ownership, investing and tax planning. For some it might be the final “straw” in a decision as to where to live.
- Alimony payments on divorces after 2018, or prior divorces that opt to accept the new rules, will no longer be deductible. Changes in tax rates, property values, exemptions and more suggest that, if you are divorced, or in the process of divorcing, you should review the implications of the new law.
- 529 accounts can now be used for elementary and secondary school, so you may wish to consider gifting more to such accounts.
- The gift and estate tax exemptions have been doubled to about \$11.2 million per person, or \$22.4 million per couple. But these higher amounts are temporary. They will disappear in 2025 without any action by Congress or earlier by action of a new Congress and administration if the political climate in Washington changes.

From an estate planning perspective, changes to existing planning needs to be viewed by wealth level. For example:

- Individuals with smaller estates can take advantage of opportunities to ensure inclusion of appreciated assets in their estates so that upon death those assets will obtain a new income tax basis equal to date of death value. This will allow beneficiaries to sell assets at no capital gains cost or, if the assets appreciate after death, the least capital gains cost possible.
- Individuals with moderate estates should do the same as those with smaller estates plus evaluate whether they should use some of their increased gift tax exemptions before they either sunset or are changed by a future administration in Washington.

- Individuals with larger estates should aggressively pursue planning to minimize future estate taxes. The new law does not repeal the estate tax and a future administration could make the planning environment less friendly.
- Individuals at all wealth levels should review existing estate planning documents because the new law may make tax planning clauses and provisions that allocate assets obsolete, or in some instances produce unintended results.

This Legal Update is merely an overview of some of the changes in this massive tax legislation. If we can be of any assistance, or if you would like to schedule a meeting to review changes to your planning that might be worth making, please contact an attorney in our Trusts & Estates Practice Group. See www.ruderware.com, Our Practices, Trusts & Estates, Estate Planning.

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