



**2018 TAX REFORM
WORKSHOP**

BKD
CPAs & Advisors

PLANNING FOR INDIVIDUALS NOVEMBER 12, 2018



**WHAT WE'LL
COVER TODAY**

- 1 What's in the new tax law?
- 2 Example Tax Scenarios – Pre and Post Tax Reform
- 3 What questions can we help with?

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INDIVIDUAL PROVISIONS

Tax brackets: single

Bracket	2018 Ordinary Rates		2018 Capital Gains Rates	
	Current Law*	Conference Agreement**^	Current Law*	Conference Agreement**^
\$0–\$9,525	10%	10%	0%	0%
9,526–38,600	15%	12%	0%	0%
38,601–38,700	15%	12%	0%	15%
38,701–82,500	25%	22%	15%	15%
82,501–93,700	25%	24%	15%	15%
93,701–157,500	28%	24%	15%	15%
157,501–195,450	28%	32%	15%	15%
195,451–200,000	33%	32%	15%	15%
200,001–424,950	33%	35%	15%	15%
424,951–425,800	35%	35%	15%	15%
425,801–426,700	35%	35%	15%	20%
426,701–500,000	39.6%	35%	20%	20%
More than 500,000	39.6%	37%	20%	20%

*Plus 3.8 percent net investment income tax on unearned income when modified adjusted gross income exceeds \$200,000 (\$250,000)

^Expires after December 31, 2025



INDIVIDUAL PROVISIONS

Tax brackets: married filing jointly

Bracket	2018 Ordinary Rates		2018 Capital Gains Rates	
	Current Law*	Conference Agreement**^	Current Law*	Conference Agreement**^
\$0–\$19,050	10%	10%	0%	0%
19,051–77,200	15%	12%	0%	0%
77,201–77,400	15%	12%	0%	15%
77,401–156,150	25%	22%	15%	15%
156,151–165,000	28%	22%	15%	15%
165,001–237,950	28%	24%	15%	15%
237,951–315,000	33%	24%	15%	15%
315,001–400,000	33%	32%	15%	15%
400,001–424,950	33%	35%	15%	15%
424,951–479,000	35%	35%	15%	15%
479,001–480,050	35%	35%	15%	20%
480,051–600,000	39.6%	35%	20%	20%
More than 600,000	39.6%	37%	20%	20%

*Plus 3.8 percent net investment income tax on unearned income when modified adjusted gross income exceeds \$200,000 (\$250,000)

^Expires after December 31, 2025



Alternative Minimum Tax

- 28 percent top rate
- Exemption of \$70,300 single (\$109,400 MFJ)
- Phaseout begins at \$500,000 single (\$1 million MFJ)
- Sunsets December 31, 2025

(Previously 28 percent top rate; exemption of \$55,400 single (\$86,200 MFJ); exemption amounts begin phaseout at \$123,100 & \$164,100, respectively)



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INDIVIDUAL PROVISIONS

Standard Deduction

- \$12,000 single (\$24,000 MFJ)
- Sunsets December 31, 2025
(Previously \$6,350 (\$12,700 MFJ))

Personal Exemption

- Repealed
- Expires December 31, 2025
(Previously \$4,050 subject to phaseout based on AGI)

Child Tax Credit

- \$2,000 (\$1,400 refundable)
- Phaseout beginning at \$200,000 single (\$400,000 MFJ)
- Sunsets December 31, 2025
(Previously \$1,000; phaseout at \$75,000 single (\$110,000 MFJ))

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Medical & Dental Expense

- Deduction for qualified out-of-pocket medical expenses paid or incurred during year to extent exceed
 - 7.5 percent of AGI for 2017 & 2018
 - 10 percent of AGI beginning in 2019

State & Local Income, Real Estate & Personal Property Tax Expense

- Combined deduction for amounts not paid or accrued in a trade or business capped at \$10,000
- Amounts paid in 2017 for income taxes imposed for 2018 or later treated as paid in 2018

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INDIVIDUAL PROVISIONS

Itemized deductions

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Home Mortgage Interest Expense

- Deduction for mortgage interest paid or incurred up to \$750,000 of acquisition indebtedness after December 15, 2017
- Deduction for interest paid on home equity loans eliminated

Gifts to Charity

- Deduction for cash contributions limited to 60 percent of AGI

Miscellaneous Itemized Deductions

- Repealed

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INDIVIDUAL PROVISIONS

Itemized deductions

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INDIVIDUAL PROVISIONS

Pass-Through Business Deduction

- Deduction = 20 percent of
 - Domestic qualified business income from partnership, S corporation or sole proprietorship
 - Qualified REIT dividends
 - Qualified cooperative dividends
 - Qualified PTP income
- Available to individuals, trusts & estates
- Sunsets December 31, 2025
- Limitations apply

(Not previously addressed)

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INDIVIDUAL PROVISIONS

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INDIVIDUAL PROVISIONS

Example 1

- Married Filing Joint with Two Children

	Pre TCJA	TCJA
W-2 Wages	40,000	40,000
Other Income/Deductions	-	-
Adjusted Gross Income	40,000	40,000
Personal Exemptions	(16,200)	-
Standard Deduction	(12,700)	(24,000)
Taxable Income	11,100	16,000
Federal Tax	1,113	1,600
Child Tax Credit	(2,000)	(4,000)
Federal Tax Due (Refund) Before Withholding	(887)	(2,400)
Missouri Tax	1,014	720
Total Tax Savings		1,807

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INDIVIDUAL PROVISIONS

Example 1

- Married Filing Joint with Two Children

Personal Exemptions	4
Gross Income	40,000
Total Federal	
Withholding per Tables	1,190
Tax Per Example	-
Overpayment	1,190
Total MO Withholding	
Per Tables	1,302
Tax Per Example	(720)
Overpayment	582

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INDIVIDUAL PROVISIONS

Example 2

- Single with No Children

	Pre TCJA	TCJA
W-2 Wages	40,000	40,000
Other Income/Deductions	-	-
Adjusted Gross Income	40,000	40,000
Personal Exemptions	(4,050)	-
Standard Deduction	<u>(6,350)</u>	<u>(12,000)</u>
Taxable Income	29,600	28,000
Federal Tax	3,978	3,170
Child Tax Credit	-	-
Federal Tax Due (Refund) Before Withholding	3,978	3,170
Missouri Tax	1,480	1,241
Total Tax Savings		1,047

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INDIVIDUAL PROVISIONS

Example 2

- Single with No Children

Personal Exemptions	1
Gross Income	40,000
Total Federal	
Withholding per Tables	3,668
Tax Per Example	<u>(3,170)</u>
Overpayment	498
Total MO Withholding	
Per Tables	1,378
Tax Per Example	<u>(1,241)</u>
Overpayment	137

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INDIVIDUAL PROVISIONS

Example 3

- Married Filing Joint with Two Children

	Pre TCJA	TCJA
W-2 Wages	60,000	60,000
Other Income/Deductions	-	-
Adjusted Gross Income	60,000	60,000
Personal Exemptions	(16,200)	-
Standard Deduction	<u>(12,700)</u>	<u>(24,000)</u>
Taxable Income	31,100	36,000
Federal Tax	3,736	3,939
Child Tax Credit	<u>(2,000)</u>	<u>(4,000)</u>
Federal Tax Due (Refund) Before Withholding	1,736	(61)
Missouri Tax	2,110	1,900
Total Tax Savings		2,007

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Example 3

- Married Filing Joint with Two Children

Personal Exemptions	4
Gross Income	60,000
Total Federal Withholding per Tables	3,441
Tax Per Example	-
Overpayment	<u>3,441</u>
Total MO Withholding Per Tables	2,428
Tax Per Example	<u>(1,900)</u>
Overpayment	528

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INDIVIDUAL PROVISIONS

Example 4

- Single with No Children

	Pre TCJA	TCJA
W-2 Wages	60,000	60,000
Other Income/Deductions	-	-
Adjusted Gross Income	60,000	60,000
Personal Exemptions	(4,050)	-
Standard Deduction	<u>(6,350)</u>	<u>(12,000)</u>
Taxable Income	49,600	48,000
Federal Tax	8,145	6,500
Child Tax Credit	-	-
Federal Tax Due (Refund) Before Withholding	8,145	6,500
Missouri Tax	2,619	2,313
Total Tax Savings		1,951

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INDIVIDUAL PROVISIONS

Example 4

- Single with No Children

Personal Exemptions	1
Gross Income	60,000
Total Federal Withholding per Tables	7,353
Tax Per Example	<u>(6,500)</u>
Overpayment	853
Total MO Withholding Per Tables	2,534
Tax Per Example	<u>(2,313)</u>
Overpayment	221

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INDIVIDUAL PROVISIONS

Example 5

- Married Filing Joint with Two Children

	Pre TCJA	TCJA
W-2 Wages	80,000	80,000
Other Income/Deductions	-	-
Adjusted Gross Income	80,000	80,000
Personal Exemptions	(16,200)	-
Standard Deduction	<u>(12,700)</u>	<u>(24,000)</u>
Taxable Income	51,100	56,000
Federal Tax	6,736	6,339
Child Tax Credit	<u>(2,000)</u>	<u>(4,000)</u>
Federal Tax Due (Refund) Before Withholding	4,736	2,339
Missouri Tax	3,130	2,942
Total Tax Savings		2,585

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INDIVIDUAL PROVISIONS

Example 5

- Married Filing Joint with Two Children

Personal Exemptions	4
Gross Income	80,000
Total Federal Withholding per Tables	5,841
Tax Per Example	<u>(2,339)</u>
Overpayment	3,502
Total MO Withholding Per Tables	3,624
Tax Per Example	<u>(2,942)</u>
Overpayment	682

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INDIVIDUAL PROVISIONS

Example 6

- Single with No Children

	Pre TCJA	TCJA
W-2 Wages	80,000	80,000
Other Income/Deductions	-	-
Adjusted Gross Income	80,000	80,000
Personal Exemptions	(4,050)	-
Standard Deduction	<u>(6,350)</u>	<u>(12,000)</u>
Taxable Income	69,600	68,000
Federal Tax	13,145	10,900
Child Tax Credit	-	-
Federal Tax Due (Refund) Before Withholding	13,145	10,900
Missouri Tax	3,819	3,493
Total Tax Savings		2,571

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Example 6

- Single with No Children

Personal Exemptions	1
Gross Income	80,000
Total Federal Withholding per Tables	11,802
Tax Per Example	<u>(10,900)</u>
Overpayment	902
Total MO Withholding Per Tables	3,730
Tax Per Example	<u>(3,493)</u>
Overpayment	237

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Ways

- Federal Withholding Resource
 - <https://www.irs.gov/pub/irs-pdf/n1036.pdf>
- Missouri Withholding Resource
 - <https://mytax.mo.gov>
- BKD Tax Reform Resource Center
 - bkd.com/taxreform
- Simply Tax Podcast
 - bkd.com/simpletax
- BKD Year-End Advisor
 - bkd.com/advisor



Questions?

Brad Hashagen, CPA | bhashagen@BKD.com

Courtney Smith, CPA | crsmith@BKD.com

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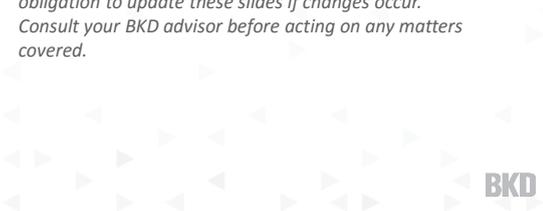
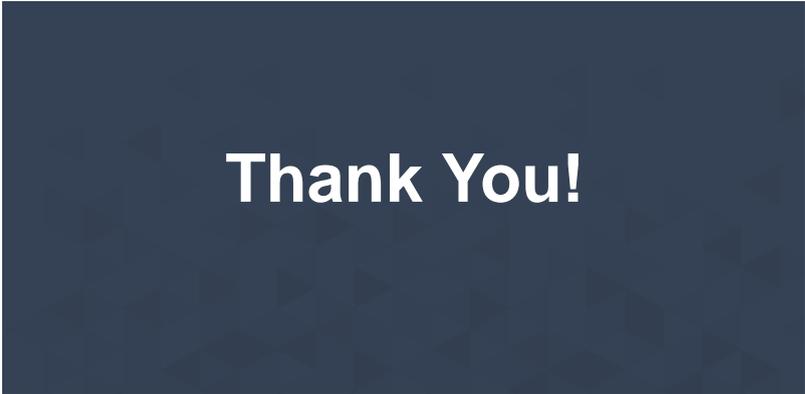
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Thank You!

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