

# Year-end and Year-around Tax Planning

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## Top Issues as We Approach Year-end

1

- Congress & Tax Reform

2

- Year-end Planning

3

- Year-around Planning



U.S. House of Representatives  
COMMITTEE ON WAYS AND MEANS

The **TAX CUTS & JOBS ACT**

# POLICY HIGHLIGHTS

More Jobs. Fairer Taxes. Bigger Paychecks.

WASHINGTON, D.C. – The House Ways and Means Committee passed the *Tax Cuts and Jobs Act* (H.R. 1) on 11/9/2017 – bold legislation to overhaul America’s tax code for the first time in 31 years.

## The House Bill...(Chairman Brady)

- **Lowers individual tax rates for low- and middle-income Americans to Zero, 12%, 25%, and 35%**
- **Significantly increases the standard deduction** - from \$6,350 to \$12,000 for individuals and \$12,700 to \$24,000 for married couples.
- **Increases the child tax credit from \$1000 to \$1650**
- **Eliminates special-interest deductions that increase rates and complicate Americans’ taxes** ...like medical expenses, state income taxes and most miscellaneous itemized deductions

## Rate Chart – Current v. House Bill

Table 1. Tax Brackets for Ordinary Income Under Current Law and the House Tax Cuts and Jobs Act

Current Law			House Tax Cuts and Jobs Act		
10%	>	\$0	12%	>	\$0
15%	>	\$9,525	25%	>	\$45,000
25%	>	\$38,700	35%	>	\$200,000
28%	>	\$93,700	39.6%	>	\$500,000
33%	>	\$191,450			
35%	>	\$424,950			
39.6%	>	\$426,700			

Note: Tax brackets are for single tax filers. Brackets differ for married and head of household filers.

## What's left of itemized deductions?

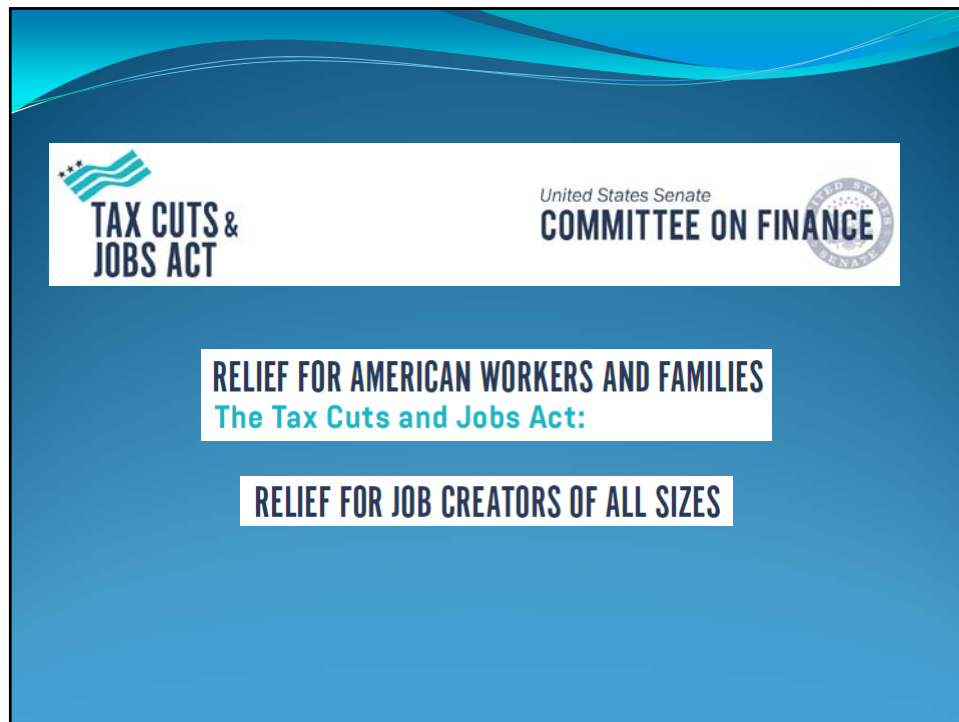
- The deduction for charitable contributions
- Home mortgage interest on mortgages up to \$500,000
- State and local property taxes up to \$10,000

## **Great news for wealthier individuals!**

- **Repeals the Alternative Minimum Tax...**
- **Immediately doubles the estate tax exemption and repeals the Death Tax after six years**

## ***For Job Creators of All Sizes...***

- **Lowers the corporate tax rate to 20%**
- **Reduces the tax rate on the hard-earned business income of Main Street job creators to no more than 25%**
- **Provides a new, low tax rate of 9% for businesses earning less than \$75,000 in income**
- **Allows businesses to immediately write off the full cost of new equipment**



## The Senate Bill...(Senator Hatch)

- Expands the zero bracket and maintains the 10% (maintaining five to seven tax brackets with different thresholds than the House...top rate of 38.5%
- Nearly doubles the standard deduction; eliminates the personal exemption
- Repeals the AMT
- Doubles current estate tax exclusion
- Modifies the exclusion of gain on residence sales



## Rate Chart – Senate Version

Single Filers	Heads of Household	Joint Filers
10.0% > \$0	10.0% > \$0	10.0% > \$0
12.0% > \$9,525	12.0% > \$13,600	12.0% > \$19,050
22.5% > \$38,700	22.5% > \$51,800	22.5% > \$77,400
25.0% > \$60,000	25.0% > \$60,000	25.0% > \$120,000
32.5% > \$170,000	32.5% > \$170,000	32.5% > \$290,000
35.0% > \$200,000	35.0% > \$200,000	35.0% > \$390,000
38.5% > \$500,000	38.5% > \$500,000	38.5% > \$1,000,000

## The Senate Bill...(Senator Hatch)

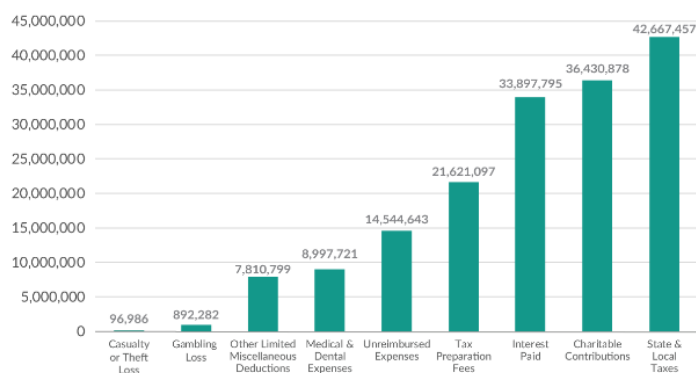
- Reserves charitable contributions
- Maintains residence interest deduction at current levels
- Preserves medical expense deduction
- Eliminates deduction for all state & local taxes

## Senate's Business Changes

- Lowers corporate tax rate to 20%
- Full and immediate expensing of new equipment
- Permanently modernized our outdated international tax system by eliminating the antiquated "worldwide" system in order to eliminate double taxation, enhance the competitiveness of American companies, and bring business and investment back to the United States

### The Deduction for Taxes Paid is the Most Popular Itemized Deduction

Number of Returns that Claim Each Itemized Deduction, 2013



Source: IRS, Statistics of Income, Table 2.1

Form	<b>1040</b>	Department of the Treasury—Internal Revenue Service (99)	<b>U.S. Individual Income Tax Return</b>	<b>2017</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.	
For the year Jan. 1–Dec. 31, 2017, or other tax year beginning				, 2017, ending		, 20	
							See separate instructions.

Where we are today...

- April 17 will be the filing deadline in 2018
- Refunds will not be issued until February 15 if returns have EITC, CTC or AOTC

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Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	7		
	8a	Taxable interest. Attach Schedule B if required . . . . .	8a		
	b	Tax-exempt interest. Do not include on line 8a . . . . .	8b		
	9a	Ordinary dividends. Attach Schedule B if required . . . . .	9a		
	b	Qualified dividends . . . . .	9b		
	10	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	10		
	11	Alimony received . . . . .	11		
	12	Business income or (loss). Attach Schedule C or C-EZ . . . . .	12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> . . . . .	13		
	14	Other gains or (losses). Attach Form 4797 . . . . .	14		
	15a	IRA distributions . . . . .	15a		
	b	Taxable amount . . . . .	15b		
	16a	Pensions and annuities . . . . .	16a		
	b	Taxable amount . . . . .	16b		
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	17		
18	Farm income or (loss). Attach Schedule F . . . . .	18			
19	Unemployment compensation . . . . .	19			
20a	Social security benefits . . . . .	20a			
b	Taxable amount . . . . .	20b			
21	Other income. List type and amount . . . . .	21			
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income <input type="checkbox"/> . . . . .	22			

Attach Form(s)  
W-2 here. Also  
attach Forms  
W-2G and  
1099-R if tax  
was withheld.

If you did not  
get a W-2,  
see instructions.



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<b>U.S. Individual Income Tax Return</b>				
For the year Jan. 1–Dec. 31, 2017, or other tax year beginning		, 2017, ending	, 20	See separate instructions.

<b>Adjusted Gross Income</b>	23	Educator expenses . . . . .	23			
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ . . . . .	24			
	25	Health savings account deduction. Attach Form 8889 . . . . .	25			
	26	Moving expenses. Attach Form 3903 . . . . .	26			
	27	Deductible part of self-employment tax. Attach Schedule SE . . . . .	27			
	28	Self-employed SEP, SIMPLE, and qualified plans . . . . .	28			
	29	Self-employed health insurance deduction . . . . .	29			
	30	Penalty on early withdrawal of savings . . . . .	30			
	31a	Alimony paid b Recipient's SSN ▶	31a			
	32	IRA deduction . . . . .	32			
	33	Student loan interest deduction . . . . .	33			
	34	Reserved for future use . . . . .	34			
	35	Domestic production activities deduction. Attach Form 8903 . . . . .	35			
	36	Add lines 23 through 35 . . . . .	36			
37	Subtract line 36 from line 22. This is your <b>adjusted gross income</b> . . . . . ▶	37				

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<b>U.S. Individual Income Tax Return</b>				
For the year Jan. 1–Dec. 31, 2017, or other tax year beginning		, 2017, ending	, 20	See separate instructions.

<b>Tax and Credits</b>	38	Amount from line 37 (adjusted gross income) . . . . .	38		
	39a	Check <input type="checkbox"/> You were born before January 2, 1953, <input type="checkbox"/> Blind. Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1953, <input type="checkbox"/> Blind. checked ▶ 39a			
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b <input type="checkbox"/>			
	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin) . . . . .	40		
	41	Subtract line 40 from line 38 . . . . .	41		
	42	Exemptions. If line 38 is \$156,900 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions . . . . .	42		
	43	<b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . .	43		
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> . . . . .	44		
	45	Alternative minimum tax (see instructions). Attach Form 6251 . . . . .	45		
	46	Excess advance premium tax credit repayment. Attach Form 8962 . . . . .	46		
	47	Add lines 44, 45, and 46 . . . . . ▶	47		
	48	Foreign tax credit. Attach Form 1116 if required . . . . .	48		
	49	Credit for child and dependent care expenses. Attach Form 2441 . . . . .	49		
	50	Education credits from Form 8863, line 19 . . . . .	50		
51	Retirement savings contributions credit. Attach Form 8880 . . . . .	51			
52	Child tax credit. Attach Schedule 8812, if required . . . . .	52			
53	Residential energy credit. Attach Form 5695 . . . . .	53			
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> . . . . .	54			
55	Add lines 48 through 54. These are your <b>total credits</b> . . . . .	55			
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- . . . . . ▶	56			

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2017** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 2017, or other tax year beginning , 2017, ending , 20 See separate instructions.

<b>Other Taxes</b>	57	Self-employment tax. Attach Schedule SE . . . . .	57	
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919 . . . . .	58	
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . .	59	
	60a	Household employment taxes from Schedule H . . . . .	60a	
	b	First-time homebuyer credit repayment. Attach Form 5405 if required . . . . .	60b	
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/> . . . . .	61	
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) . . . . .	62	
	63	Add lines 56 through 62. This is your total tax . . . . .	63	
	<b>Payments</b>	64	Federal income tax withheld from Forms W-2 and 1099 . . . . .	64
65		2017 estimated tax payments and amount applied from 2016 return . . . . .	65	
66a		Earned income credit (EIC) . . . . .	66a	
b		Nontaxable combat pay election <input type="checkbox"/> 66b . . . . .		
67		Additional child tax credit. Attach Schedule 8812 . . . . .	67	
68		American opportunity credit from Form 8863, line 8 . . . . .	68	
69		Net premium tax credit. Attach Form 8962 . . . . .	69	
70		Amount paid with request for extension to file . . . . .	70	
71		Excess social security and tier 1 RRTA tax withheld . . . . .	71	
72		Credit for federal tax on fuels. Attach Form 4136 . . . . .	72	
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/> . . . . .	73		
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments . . . . .	74		

If you have a qualifying child, attach Schedule EIC.

## Expiring tax provisions affecting 2017 individual returns

- Tuition and Fees as an adjustment to income has expired
- The Residential Energy Credit has expired.
- Other energy-related credits not available for 2017 include certain non-business energy property (IRC 25C(g)); the qualified fuel cell motor vehicle credit (IRC 30B(k)(1)); and the alternative fuel vehicle refueling property credit (IRC 30C(g)).

## Expiring tax provisions affecting 2017 individual returns

### Schedule A

- The medical expense hurdle is now 10% for everyone
- Mortgage insurance premiums deduction on Schedule A has expired
- Qualified principal residence indebtedness discharges will no longer be excluded from gross income if the discharge took place after December 31, 2016

## Mileage rates for 2017 returns

- Business mileage, unreimbursed employment and investment travel is 53.5 cents per mile
- Mileage rate for moving expenses is 17 cents per mile
- Medical mileage rate is 17 cents per mile.
- Charity mileage rate is (still) 14 cents per mile.

## Phase-Out Thresholds

- For Exemptions, begins at \$313,800 for joint filers; \$261,500 for singles.
- Phase-Out Threshold for itemized deductions begins at \$313,800 for joint filers and \$261,500 for single individuals.
- AMT exemption is \$84,500 for joint filers; \$54,300 for singles. This number starts phasing out when AMTI reaches \$160,900 for joint filers; \$120,700 for singles.

## Planning, Anyone?

### Accelerate Itemized Deductions

- Medical?
- Property Taxes?
- Miscellaneous Itemized Deductions?

### Delay Receipt of Income

- Retirement distributions?
- Ordinary Gains?
- Business income?



Form <b>6251</b> Department of the Treasury Internal Revenue Service (99)	<b>Alternative Minimum Tax—Individuals</b> ▶ Go to <a href="http://www.irs.gov/Form6251">www.irs.gov/Form6251</a> for instructions and the latest information. ▶ Attach to Form 1040 or Form 1040NR.	OMB No. 1545-0074 <b>2017</b> Attachment Sequence No. 32
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Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)		
1 If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41, and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 7. (If less than zero, enter as a negative amount.)	1	
2 Medical and dental. If you or your spouse was 65 or older, enter the smaller of Schedule A (Form 1040), line 4, or 2.5% (0.025) of Form 1040, line 38. If zero or less, enter -0-	2	
3 Taxes from Schedule A (Form 1040), line 9	3	
4 Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet in the instructions for this line	4	
5 Miscellaneous deductions from Schedule A (Form 1040), line 27	5	
6 If Form 1040, line 38, is \$155,650 or less, enter -0-. Otherwise, see instructions	6	
7 Tax refund from Form 1040, line 10 or line 21	7	
8 Investment interest expense (difference between regular tax and AMT)	8	
9 Depletion (difference between regular tax and AMT)	9	
10 Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	10	
11 Alternative tax net operating loss deduction	11	
12 Interest from specified private activity bonds exempt from the regular tax	12	
13 Qualified small business stock, see instructions	13	
14 Exercise of incentive stock options (excess of AMT income over regular tax income)	14	
15 Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	15	
16 Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	16	
17 Disposition of property (difference between AMT and regular tax gain or loss)	17	
18 Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	18	
19 Passive activities (difference between AMT and regular tax income or loss)	19	
20 Loss limitations (difference between AMT and regular tax income or loss)	20	
21 Circulation costs (difference between regular tax and AMT)	21	
22 Long-term contracts (difference between AMT and regular tax income)	22	
23 Mining costs (difference between regular tax and AMT)	23	
24 Research and experimental costs (difference between regular tax and AMT)	24	
25 Income from certain installment sales before January 1, 1987	25	
26 Intangible drilling costs preference	26	
27 Other adjustments, including income-based related adjustments	27	
28 Alternative minimum taxable income. Combine lines 1 through 27. (If married filing separately and line 28 is more than \$249,450, see instructions.)	28	

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Part II Alternative Minimum Tax (AMT)		
29 Exemption. (If you were under age 24 at the end of 2017, see instructions.)		
IF your filing status is . . . AND line 28 is not over . . . THEN enter on line 29 . . . Single or head of household . . . \$120,700 . . . \$54,300 Married filing jointly or qualifying widow(er) . . . 160,900 . . . 84,500 Married filing separately . . . 80,450 . . . 42,250	29	
If line 28 is over the amount shown above for your filing status, see instructions.		
30 Subtract line 29 from line 28. If more than zero, go to line 31. If zero or less, enter -0- here and on lines 31, 33, and 35, and go to line 34	30	
31 • If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter. • If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 64 here. • All others: If line 30 is \$187,800 or less (\$93,900 or less if married filing separately), multiply line 30 by 26% (0.26). Otherwise, multiply line 30 by 28% (0.28) and subtract \$3,756 (\$1,878 if married filing separately) from the result.	31	
32 Alternative minimum tax foreign tax credit (see instructions)	32	
33 Tentative minimum tax. Subtract line 32 from line 31	33	
34 Add Form 1040, line 44 (minus any tax from Form 4972), and Form 1040, line 46. Subtract from the result any foreign tax credit from Form 1040, line 48. If you used Schedule J to figure your tax on Form 1040, line 44, refigure that tax without using Schedule J before completing this line (see instructions)	34	
35 AMT. Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45	35	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13600G Form 6251 (2017)



Required Minimum Distributions for Account Owners		
	IRAs including SEP, SIMPLE and SARSEP IRAs	Defined Contribution Plans
When do I take my first RMD (the required beginning date)?	You must take your first RMD by April 1 of the year following the year in which you turn 70½, regardless of whether you are still employed.	April 1 of the year following the later of the year you turn 70½ or the year you retire (if allowed by your plan). If you are a 5% owner, you must start RMDs by April 1 of the year following the year you turn 70½.
When do I reach age 70½?	<p>You reach age 70½ on the date that is 6 calendar months after the date of your 70th birthday.</p> <p><b>Example:</b> Your 70th birthday was June 30, 2010. You reached age 70½ on December 30, 2010. You must take your first RMD (for 2010) by April 1, 2011.</p> <p><b>Example:</b> Your 70th birthday was July 1, 2010. You reached age 70½ on January 1, 2011. You do not have an RMD for 2010. You must take your first RMD (for 2011) by April 1, 2012.</p>	Same as IRA rule

Required Minimum Distributions for Account Owners		
What is the deadline for taking subsequent RMDs after the first RMD?	<p>After the first RMD, you must take subsequent RMDs by December 31 of each year beginning with the calendar year containing your required beginning date.</p> <p><b>Example:</b> You turn 70½ on July 15, 2010. You must take your first RMD, for 2010, by April 1, 2011. You must take your second RMD, for 2011, by December 31, 2011, and your third RMD, for 2012, by December 31, 2012.</p>	Same as IRA rule
How do I calculate my RMD?	<p>Your RMD is generally determined by dividing the adjusted market value of your IRAs as of December 31 of the preceding year by the distribution period that corresponds with your age in the Uniform Lifetime Table (Table III in IRS Publication 590-B, <i>Distributions Individual Retirement Arrangements (IRAs)</i>).</p> <p>If your spouse is your sole beneficiary and is more than 10 years younger than you, you will use the Joint Life and Last Survivor Expectancy Table (Table II in IRS Publication 590-B).</p>	<p>Same as IRA rule</p> <p>Your plan sponsor/administrator should calculate the RMD for you.</p>

### Required Minimum Distributions for Account Owners

How should I take my RMDs if I have multiple accounts?	If you have more than one IRA, you must calculate the RMD for each IRA separately each year. However, you may aggregate your RMD amounts for all of your IRAs and withdraw the total from one IRA or a portion from each of your IRAs. You do not have to take a separate RMD from each IRA.	If you have more than one defined contribution plan, you must calculate and satisfy your RMDs separately for each plan and withdraw that amount from that plan.  Exception: If you have more than one 403 (b) tax-sheltered annuity account, you can total the RMDs and then take them from any one (or more) of the tax-sheltered annuities.
May I withdraw more than the RMD?	Yes, an IRA owner can always withdraw more than the RMD. You cannot apply excess withdrawals toward future years' RMDs.	Same as IRA rule
May I take more than one withdrawal in a year to meet my RMD?	You may withdraw your annual RMD in any number of distributions throughout the year, as long as you withdraw the total annual minimum amount by December 31 (or April 1 if it is for your first RMD).	Same as IRA rule

## Qualified Charitable Distributions

- IRA owners can use a qualified charitable distribution (QCD) paid directly from an IRA to an eligible charity to meet part or all of their RMD obligation. Available only to IRA owners age 70½ or older, the maximum annual exclusion for QCDs is \$100,000.
- Your qualified charitable distributions can satisfy all or part the amount of your required minimum distribution from your IRA.