

Shaw Accounting Group, LLC

2018 Tax & Technology Presentation

Presented by
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Background

- Most comprehensive overhaul of the IRS tax code since 1986.
- Passed by a 51-48 vote of the Senate on December 22, 2017.
- The majority of tax changes are considered temporary and set to expire December 31, 2025 without further action from Congress.



Individual Changes

Income Tax Rates - Single Filers (2018)

Under previous law		Under current law	
Rate	Income bracket	Rate	Income bracket
10%	\$0 - \$9,525	10%	\$0 - \$9,525
15%	\$9,525 - \$38,700	12%	\$9,525 - \$38,700
25%	\$38,700 - \$93,700	22%	\$38,700 - \$82,500
28%	\$93,700 - \$195,450	24%	\$82,500 - \$157,500
33%	\$195,450 - \$424,950	32%	\$157,500 - \$200,000
35%	\$424,950 - \$426,700	35%	\$200,000 - \$500,000
39.6%	\$426,700 and up	37%	\$500,000 and up

Individual Changes

Income Tax Rates - Married Filing Jointly (2018)

Under previous law		Under current law	
Rate	Income bracket	Rate	Income bracket
10%	\$0 - \$19,050	10%	\$0 - \$19,050
15%	\$19,050 - \$77,400	12%	\$19,050 - \$77,400
25%	\$77,400 - \$156,150	22%	\$77,400 - \$165,000
28%	\$156,150 - \$237,950	24%	\$165,000 - \$315,000
33%	\$237,950 - \$424,950	32%	\$315,000 - \$400,000
35%	\$424,950 - \$480,050	35%	\$400,000 - \$600,000
39.6%	\$480,050 and up	37%	\$600,000 and up

Individual Changes

Increased Standard Deduction:

- Single 2017 = \$6,350 2018 = \$12,100
- Head of Household 2017 = \$9,350 2018 = \$18,000
- Married Filing Joint 2017 = \$12,700 2018 = \$24,000

However, "personal exemptions" of \$4,050 no longer applicable.

These amounts reduce your Adjusted Gross Income to Taxable Income.

EXAMPLE - Married couple, two children with standard deduction.

- 2017 = \$16,200 (4 allowances * \$4,050) + \$12,700 (standard deduction) = \$28,900.
 - 2018 = \$0 (personal allowances) + \$24,000 (standard deduction) = \$24,000.
- Child tax credit doubles from \$1,000 to \$2000 for qualifying child under 17 years of age.
 - *NEW* Dependent credit of \$500 for qualifying dependent age 17 or higher.

Individual Changes

Estimated Federal Income Tax Liability (Single)

Tax Bracket	2017 (Old Rates)	2018 (Tax Reform)
2017 Taxable Income = \$9,525	\$963	\$793
2017 Taxable Income = \$38,700	\$5,420	\$4,262
2017 Taxable Income = \$82,500	\$16,370	\$13,738
2017 Taxable Income = \$157,500	\$37,082	\$31,706
2017 Taxable Income = \$200,000	\$49,493	\$45,272
2017 Taxable Income = \$500,000	\$156,576	\$151,469

Individual Changes

Estimated Federal Income Tax Liability (Married Filing Joint, 2 children under 17)

Assumes no federal tax withholdings, earned income credit when applicable

Tax Bracket	2017 (Old Rates)	2018 (Tax Reform)
2017 Taxable Income = \$9,525	\$3,610 Refund	\$5,309 Refund
2017 Taxable Income = \$77,400	\$8,834	\$5,985
2017 Taxable Income = \$165,000	\$33,085	\$25,355
2017 Taxable Income = \$315,000	\$81,252	\$61,420
2017 Taxable Income = \$400,000	\$108,708	\$86,987
2017 Taxable Income = \$600,000	\$186,095	\$160,688

Itemized Deductions

- Deduction for State and Local taxes now capped at \$10,000 (previously no limit). This change mostly impacts high income earners and/or State's with high income taxes.
- Mortgage interest - Prior to 2018, taxpayers could deduct mortgage interest on primary residence and second home up to \$1,000,000 debt. The debt limit is capped at \$750,000 for years after 2017.
- Interest from home equity loans (second mortgages) is no longer deductible unless the proceeds are used directly for home improvements. Taxpayers could previously deduct interest on up to \$100,000 of home equity debt.
- The threshold for deducting out-of-pocket medical expenses was lowered to 7.5% of Adjusted Gross Income in 2018 but will return to 10% effective 2019.
- Miscellaneous itemized deductions such as unreimbursed employee expenses (mileage, union dues, etc.), tax preparation fee, investment expenses, etc. are no longer deductible. This provision will be problematic for traveling sales employees that are required to use their own vehicle.

2018 Form 1040

Form 1040 (2018) Page 2

1 Wages, salaries, tips, etc. Attach Form(s) W-2

2a Tax-exempt interest 2a b Taxable interest 2b

3a Qualified dividends 3a b Ordinary dividends 3b

4a IRAs, pensions, and annuities 4a b Taxable amount 4b

5a Social security benefits 5a b Taxable amount 5b

6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22

7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 3b, from line 6

8 Standard deduction or itemized deductions (from Schedule A)

9 Qualified business income deduction (see instructions)

10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-

11 a Tax (see list) (check if any from: 1 Form(s) 8814 2 Form 4972 3) b Add any amount from Schedule 2 and check here

12 a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here

13 Subtract line 12 from line 11. If zero or less, enter -0-

14 Other taxes. Attach Schedule B

15 Total tax. Add lines 13 and 14

16 Federal income tax withheld from Forms W-2 and 1099

17 Refundable credits: a EIC (see list) b Sch 8812 c Form 8863

18 Add any amount from Schedule 5

19 If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid

20a Amount of line 19 you want refunded to you. If Form 8888 is attached, check here

20b Routing number c Type: Checking Savings

20c Account number

21 Amount of line 19 you want applied to your 2019 estimated tax

22 Amount you owe. Subtract line 19 from line 15. For details on how to pay, see instructions

23 Estimated tax penalty (see instructions)

Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2018)

This new “Postcard” filing is also expected to replace the existing Form 1040A. This new Form 1040 now has just 23 lines, compared to the current 73 lines on the 2017 Form 1040.

BUT WAIT - There are at least 6 new additional schedules intended to replicate the lines removed or consolidated within the new Postcard Form 1040.

2018 Form 1040

- In 2018 there will be a new “Schedule 1” for reporting items such as business income (Schedule’s C, D, E and F), unemployment compensation, educator expenses, health savings account deductions, self-employment tax, self-employed health insurance deduction, IRA deduction, student loan interest, etc.
- In 2018 there will be a new “Schedule 2” for reporting alternative minimum tax and repayment of excess advance premium tax credit repayment of health care subsidy.
- In 2018 there will be a new “Schedule 3” for reporting non-refundable credits such as foreign tax credit, dependent care credit, educational credits, and other miscellaneous tax credits.
- In 2018 there will be a new “Schedule 4” for reporting self-employment tax, 10% penalty on early retirement distributions and other miscellaneous additions to tax.
- In 2018 there will be a new “Schedule 5” for reporting estimated tax payments, refund from prior year applied to current year, amount paid when filing extension, fuel tax credit and other miscellaneous refundable tax credits.
- In 2018 there will be a new “Schedule 6” for designating the authorized third-party designee.

Other Miscellaneous Changes

- Effectively repeals the health insurance individual mandate by lowering the penalty to zero for failure to maintain health insurance beginning in 2019.
- The definition of eligible expenditures from a 529 Educational Savings Account has been expanded to include ages K-12 as well as private school tuition. Please be aware contributions to a 529 Educational Savings Account are deductible on your Missouri income tax return resulting in savings of approximately 6%.
- Casualty losses are no longer deductible unless within a federal-declared disaster area.
- Beginning with 2019, alimony paid to a former spouse is not deductible by the payer and no longer taxable to the recipient.

Other Miscellaneous Changes

- Employment-related moving expenses are no longer deductible except when directly related to active-duty military service.
- Discharge of student loan debt due to death or total permanent disability is no longer taxable income.
- Individual estate tax exclusion increases from \$5.6 million to \$11.2 million for deaths occurring between 2018 and 2025.
- Increased exemption for alternative minimum tax and lower tax rates will result in fewer taxpayers being subject to additional tax.

Business Changes

- Lowers the corporate income tax rate for C-Corporations to a flat 21%. Prior to 2018 the effective income tax rate for C-Corporations was 39% for taxable income above \$100,000. Also eliminated the alternative tax on corporations.
- Businesses can no longer deduct “entertainment” expenses. Meals deductions are still allowable at 50%.
- Net Operating Losses no longer can be carried back 3 years. Must use carry-forward and the NOL can only offset 80% of taxable income.
- Employer Family Leave Credit – Employers may receive a tax credit of 12.5% of wages paid to an employee on family leave if wages paid are at least 50% of normal pay, up to a maximum of 12 weeks.
- No deduction for sexual harassment settlements if subject to non-disclosure.

Depreciation Changes

- Bonus depreciation has been increased from 50% to 100% for depreciable items. The definition of eligible property has been expanded to include used assets, and now includes roofs, HVAC systems, parking lots, etc. 100% bonus depreciation is mandated unless taxpayer decides to “elect-out”.
- Equipment depreciable asset-life decreased from 7 years to 5 years. “Regular” depreciation method for farm assets has changed from to 200% double-declining balance method from 150% DDB.
- Section 179 (direct write-off) cap has increased from \$500,000 to \$1,000,000.
- Like-kind exchanges only available for real property, personal property like-kind exchanges no longer apply.

20% Deduction for Qualified Business Income

(Section 199A Adjustment)

This new deduction applies to qualified business income from a qualified trade or business operated directly or through a pass-through entity. Intended to apply to self-employment income (Schedule C/F), rental income (Schedule E) and pass-through income from Partnerships and S-Corporations. In general, the QBID operates in the following manner:

1. For taxpayers whose taxable income is less than \$157,500 (single) or \$315,000 (married filing joint), the deduction is simply 20% of qualified business income.
2. For taxpayers with taxable income above the amount specified in #1 above, the deduction is subject to limitations such as the type of trade or business, the amount of W-2 wages paid and the unadjusted basis of qualified property held by the business.

20% Deduction for Qualified Business Income

(Section 199A Adjustment)

3. The QBID will completely phase-out for taxpayers whose taxable income exceeds \$207,500 (single) or \$415,000 (married filing joint) if the qualified business income is from a specified service trade or business (SSTB). SSTB income includes a trade or business involving services rendered in the field of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, investing and investment management, or any trade or business where the principal asset is the reputation or skill of one or more of its employees.
4. If the qualified business income is NOT from an SSTB, the deduction may be limited by the amount of W-2 and capital limitation mentioned in #2 above.

ShareFile - Client Portal



Citrix Sharefile is our new cloud-based file storage system that allows us to transfer documents back and forth in lieu of e-mail attachments. It offers superior data transfer security and accessibility.

- **It's easy to use** - If you've ever used online banking or email, you'll find your portal to be intuitive and easy to learn. Once we create your portal you will receive a few introductory email notifications with additional information and your specific login credentials.
- **It's secure** - Portals are the most secure way to exchange documents electronically. With identity theft on the rise, portals provide you with peace of mind knowing that the only person who can access your files is you and anyone you designate.
- **It's convenient** - Whether you want to locate last year's tax return or need to urgently upload a file to send our way, you can do so – anytime, anywhere, thanks to 24/7 access.

Electronic Signatures



Citrix RightSignature is our new integrated software that is the easiest, fastest way to get documents signed online. RightSignature gives us the power to obtain legally binding signatures on documents entirely online - more quickly and securely than executing paper documents. RightSignature requires no software to download or install, and can be accessed from any computer or mobile device.