

The background of the entire image is a close-up, slightly blurred view of the American flag, showing the stars and stripes in shades of blue, red, and white.

The New Tax Form Is Postcard-Size, but More Complicated Than Ever

The New York Times

Please join us to discuss the issues
Thursday, November 15, 2018



Brian R Weiland & Associates PC

Journal of Accountancy

Form 1040 to be shorter but with more schedules

By Sally P. Schreiber, J.D.

June 27, 2018

The IRS is working on a draft version of the 2018 Form 1040, *U.S. Individual Income Tax Return*, that reduces the size of the form to two half-pages in length and eliminates more than 50 lines, compared to the 2017 version of the form. The draft form moves many items that in the past have appeared on the face of the 1040 to various new schedules.

Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Your first name and initial _____ Last name _____ Your social security number _____

Your standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

If joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Spouse standard deduction: Someone can claim your spouse as a dependent Spouse was born before January 2, 1954 Full-year health care coverage or exempt (see inst.)
 Spouse is blind Spouse itemizes on a separate return or you were dual-status alienHome address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____ Presidential Election Campaign (see inst.) You SpouseCity, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. _____ If more than four dependents, see inst. and ✓ here ▶

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Sign HereJoint return?
See instructions.
Keep a copy for
your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Preparer's name	Preparer's signature	PTIN	Firm's EIN	Check if:
Firm's name ▶		Phone no.		<input type="checkbox"/> 3rd Party Designee
Firm's address ▶				<input type="checkbox"/> Self-employed

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

Standard Deduction for—
 • Single or married filing separately, \$12,000
 • Married filing jointly or Qualifying widow(er), \$24,000
 • Head of household, \$18,000
 • If you checked any box under Standard deduction, see instructions.

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	
8	Standard deduction or itemized deductions (from Schedule A)	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	a Tax (see inst.) (check if any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>)	11	
12	b Add any amount from Schedule 2 and check here	12	
13	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here	13	
14	Subtract line 12 from line 11. If zero or less, enter -0-	14	
15	Other taxes. Attach Schedule 4	15	
16	Total tax. Add lines 13 and 14	16	
17	Federal income tax withheld from Forms W-2 and 1099	17	
18	Refundable credits: a EIC (see inst.) b Sch 8812 c Form 8863 Add any amount from Schedule 5	18	
19	Add lines 16 and 17. These are your total payments	19	
20a	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	20a	
21	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here	21	
22	Direct deposit? See instructions. b Routing number c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings d Account number	22	
23	Amount of line 19 you want applied to your 2019 estimated tax	23	
24	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	24	
25	Estimated tax penalty (see instructions)	25	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ **Attach to Form 1040.**

▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2018
Attachment
Sequence No. 01

Name(s) shown on Form 1040

Your social security number

Additional Income		1-9b		1-9b	
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	Reserved	15b			
16a	Reserved	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	Reserved	20b			
21	Other income. List type and amount ▶	21			
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22			
Adjustments to Income		23		23	
23	Educator expenses	23			
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24			
25	Health savings account deduction. Attach Form 8889	25			
26	Moving expenses for members of the Armed Forces. 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	34			
35	Reserved	35			
36	Add lines 23 through 35	36			

SCHEDULE 2
(Form 1040)

Department of the Treasury
Internal Revenue Service

Tax

▶ **Attach to Form 1040.**

▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2018
Attachment
Sequence No. **02**

Name(s) shown on Form 1040

Your social security number

Tax	38-44	Reserved	38-44		
	45	Alternative minimum tax. Attach Form 6251	45		
	46	Excess advance premium tax credit repayment. Attach Form 8962	46		
	47	Add the amounts in the far right column. Enter here and include on Form 1040, line 11	47		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71478U

Schedule 2 (Form 1040) 2018

July 31, 2018
DO NOT FILE

**SCHEDULE 3
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Nonrefundable Credits

▶ **Attach to Form 1040.**
▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2018
Attachment
Sequence No. **03**

Name(s) shown on Form 1040

Your social security number

		48		
Nonrefundable Credits	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 Reserved	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 the amounts in the far right column. Enter here and include on Form 1040, line 12	55			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71480G

Schedule 3 (Form 1040) 2018

EXPIRES AS OF
July 31, 2018
DO NOT FILE

SCHEDULE 4
(Form 1040)

Department of the Treasury
Internal Revenue Service

Other Taxes

▶ Attach to Form 1040.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018
Attachment
Sequence No. **04**

Name(s) shown on Form 1040

Your social security number

**Other
Taxes**

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, and other tax-favored accounts. Attach Form 5329 if required	59	
60a	Household employment taxes. Attach Schedule H	60a	
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions)	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	Section 965 net tax liability installment from Form 965-A	63	
64	Add the amounts in the far right column. These are your total other taxes . Enter here and on Form 1040, line 14	64	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71481R

Schedule 4 (Form 1040) 2018

SCHEDULE 5
(Form 1040)

Department of the Treasury
Internal Revenue Service

Other Payments and Refundable Credits

▶ **Attach to Form 1040.**

▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2018
Attachment
Sequence No. **05**

Name(s) shown on Form 1040

Your social security number

Other Payments and Refundable Credits	65	Reserved	65		
	66	2018 estimated tax payments and amount applied from 2017 return	66		
	67a	Reserved	67a		
	b	Reserved	67b		
	68-69	Reserved	68-69		
	70	Net premium tax credit. Attach Form 8962	70		
	71	Amount paid with request for extension to file (see instructions)	71		
	72	Excess social security and tier 1 RRTA tax withheld	72		
	73	Credit for federal tax on fuels. Attach Form 4136	73		
	74	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	74		
75	Add the amounts in the far right column. These are your total other payments and refundable credits . Enter here and include on Form 1040, line 17.	75			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71482C

Schedule 5 (Form 1040) 2018

DRAFT AS OF JULY 2018
DO NOT FILE

**SCHEDULE 6
(Form 1040)**

Foreign Address and Third Party Designee

OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1040.**

▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

2018
Attachment
Sequence No. **05A**

Name(s) shown on Form 1040

Your social security number

**Foreign
Address**

Foreign country name

Foreign province/county

Foreign postal code

**Third Party
Designee**

Do you want to allow another person to discuss this return with the IRS (see instructions)? **Yes.** Complete below. **No**

Designee's
name ▶

Phone
no. ▶

Personal identification number
(PIN) ▶

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71483N

Schedule 6 (Form 1040) 2018

August 13, 2018
DO NOT FILE

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service (IRS)

(Name(s) shown on Form 1040)

Itemized Deductions

Go to www.irs.gov/ScheduleA for instructions and the latest information.

Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0047

2018

Attachment Sequence No. 07

		Your social security number	
Medical and Dental Expenses	<p>Caution: Do not include expenses reimbursed or paid by others.</p> <p>1 Medical and dental expenses (see instructions)</p> <p>2 Enter amount from Form 1040, line 7 2</p> <p>3 Multiply line 2 by 7.5% (0.075)</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-</p>	1	2
Taxes You Paid	<p>5 State and local taxes.</p> <p>a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/></p> <p>b State and local real estate taxes (see instructions)</p> <p>c State and local personal property taxes</p> <p>d Add lines 5a through 5c</p> <p>e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)</p> <p>6 Other taxes. List type and amount <input type="checkbox"/></p> <p>7 Add lines 5e and 6</p>	5a	5b
Interest You Paid	<p>8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/></p> <p>a Home mortgage interest and points reported to you on Form 1098</p> <p>b Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address <input type="checkbox"/></p> <p>c Points not reported to you on Form 1098. See instructions for special rules</p> <p>d Reserved</p> <p>e Add lines 8a through 8c</p> <p>9 Investment interest. Attach Form 4952 if required. See instructions</p> <p>10 Add lines 8e and 9</p>	8a	8b
Gifts to Charity	<p>11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions</p> <p>12 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500</p> <p>13 Carryover from prior year</p> <p>14 Add lines 11 through 13</p>	11	12
Casualty and Theft Losses	<p>15 Casualty and theft losses) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions</p>	15	
Other Itemized Deductions	<p>16 Other—from list in instructions. List type and amount <input type="checkbox"/></p>	16	
Total Itemized Deductions	<p>17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8</p>	17	
Deductions	<p>18 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/></p>		18

For Paperwork Reduction Act Notice, see the instructions for Form 1040.

Cat. No. 17146C

Schedule A (Form 1040) 2018



Millions of taxpayers could wind up owing for 2018

Ray Martin

21 hrs ago

Government debuts new postcard-sized 1040 income tax form

The tax law passed late last year included slews of changes that will have wide impacts across the U.S. Among them is a likely jump in the numbers of Americans who'll owe taxes when they file 2018 returns. The Government Accountability Office (GAO) recently [issued a report](#) warning that more than 4.5 million taxpayers will come up short next April, unless they act now to adjust their withholding amounts.

This is because the tax law limited or even eliminated many itemized deductions claimed by millions of taxpayers -- nearly 28 million of them for 2017. The biggest contributors to this are the new limits on state and local tax deductions (the SALT deductions), a restriction on

Hold everything: What clients need to know about new withholding rules

By Jeff Stimpson

Published August 28 2018, 8:51am EDT

More in [Tax reform](#), [Trump tax plan](#), [Tax forms](#)

Some clients, it now seems certain, will feel one of the Tax Cuts and Jobs Act's most significant changes for 2018 in the spring of 2019: **sticker shock on their tax bill or refund**. And it also seems certain that preparers can do only so much warning.

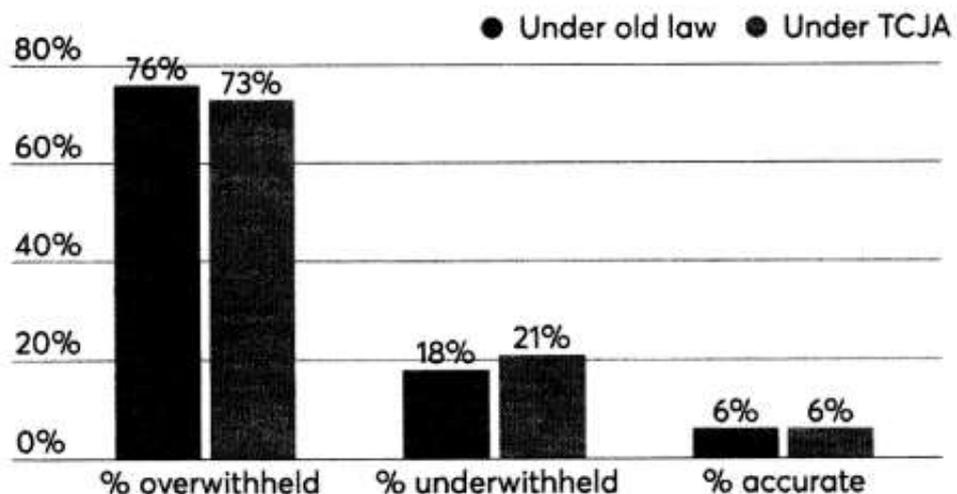
"Taxpayers have *not* looked at their withholding for 2018. I've promoted them doing a tax check-up [but] **many are going to be upset at the end of the year when they don't get a bigger refund or actually owe,"** said Marilyn Meredith at Michigan-based Meredith Tax Service.

Many under-withhold

More than one in five taxpayers will under-withhold their taxes in 2018 under changes mandated by the TCJA, according to a recent report from the federal Government Accountability Office -- though the number of under-withheld taxpayers under the new law is only three percentage points higher than the GAO estimate of what it would have been under previous law (18 percent).

A few more surprises come tax time

Estimated accuracy of taxpayer withholding



Source: GAO



Employees with other sources of income should do a Paycheck Checkup

IRS Tax Reform Tax Tip 2018-141, September 11, 2018

The IRS urges everyone who works as an employee and who also has income from other sources to perform a Paycheck Checkup now. For example, certain individuals often need to pay estimated or additional tax. This includes taxpayers who have certain types of income from the sharing economy, interest, dividends, self-employment, capital gains, or prizes and awards. A Paycheck Checkup can help these taxpayers avoid an unexpected year-end tax bill and possibly a penalty when they file their 2018 tax return next year.

September 17, 2018

Dear Clients and Friends,

As a result of 2017's Tax Cuts and Jobs Act, tax returns for 2018 will look dramatically different from prior years. No exemptions for taxpayers or dependents and a higher standard deduction are just two of the major changes for 2018.

The 2017 Tax Cuts and Jobs Act contains the most sweeping changes in 30 years. Tax cuts in federal withholding that were put into place earlier this year will affect most taxpayers.

According to a recent study by the Government Accounting Office, 21% of all Americans will be underpaid on their 2018 tax returns! The IRS has repeatedly told taxpayers to use their site's withholding calculator to check their withholding. The average American is not able to answer the questions accurately. This will cause people to be short paid on their return.

How did this happen? The new IRS tax tables do not account for all of the changes in the returns. An average American basically has to prepare their income tax return in order to review withholdings.

If you want to review your tax situation BEFORE the end of the year, we will be happy to run a detailed tax projection for you. In order to do so, please contact our office and we can help prepare you for the upcoming filing season and make sure you are not caught in a penalty situation!

We will be having a seminar addressing the major changes to the tax law for 2018 on **Thursday, November 15th at 7 p.m.** at the Oakland County Schools Conference Center. Be sure to mark your calendars and watch for your invitation to arrive. The seminar will give you the opportunity to ask questions and better understand how the new tax laws will affect you.



Brian R. Weiland, CPA



Michael S. Uilom, CPA

withholding.

General Instructions

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2018 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider

Or, you can use the Deductions, Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

earned by a spouse, during the year.

Line F. Credit for other dependents.

When you file your tax return, you might be eligible to claim a credit for each of your dependents that don't qualify for the child tax credit, such as any dependent children age 17 and older. To learn more about this credit, see Pub. 505. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of

----- Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records. -----

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

OMB No. 1545-0074

2018

► Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

1 Your first name and middle initial		Last name		2 Your social security number	
Home address (number and street or rural route)				3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married filing separately, check "Married, but withhold at higher Single rate."	
City or town, state, and ZIP code				4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ► <input type="checkbox"/>	
5 Total number of allowances you're claiming (from the applicable worksheet on the following pages)					5
6 Additional amount, if any, you want withheld from each paycheck					6 \$
7 I claim exemption from withholding for 2018, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ►					7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature

(This form is not valid unless you sign it.) ►

Date ►

8 Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.)		9 First date of employment	10 Employer identification number (EIN)
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AICPA: 2019 Form W-4 needs to be simplified

By Sally P. Schreiber, J.D.

July 12, 2018

The AICPA's Tax Executive Committee sent a letter (<https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20180712-aicpa-comment-letter-on-draft-2019-form-w-4.pdf>) to the IRS on Thursday, **urging the Service to simplify the proposed draft 2019 Form W-4**, *Employee's Withholding Allowance Certificate*, to reduce administrative burdens by not requiring an annual Form W-4 calculation, protect employees' privacy by omitting personal information from the form, and avoid shifting the onus onto employers to determine employees' correct withholding.



IRS Statement on Form W-4

Following feedback from the payroll and tax communities, the Treasury Department and the IRS will incorporate important changes into a new version of the Form W-4, Employee's Withholding Allowance Certificate, for 2020.

The 2019 version of the Form W-4 will be similar to the current 2018 version. A new draft version of the W-4 for 2019 will be available in the coming weeks.

The IRS will continue working closely with the payroll and the tax community as it makes additional changes to the Form W-4 for use in 2020. The new version will help employees improve withholding accuracy, and fully reflect changes included in the Tax Cuts and Jobs Act.

For the current 2018 tax year, the IRS continues to strongly urge taxpayers to review their tax withholding situation as soon as possible to avoid having too little or too much withheld from their paychecks. Click [here](#) to perform a quick "paycheck checkup" using the IRS withholding calculator.

Delay for Start of the 2019 Filing Season

Cross References

- [TIGTA Report Dated September 25, 2018](#)

The Treasury Inspector General for Tax Administration (TIGTA) has issued a report stating that the 2019 tax filing season will likely be delayed due to IRS under staffing issues.

The IRS received \$320 million to implement the changes made by the Tax Cuts and Jobs Act (TCJA), allocating \$291 million it estimated would be needed for the information technology and ancillary operations support work. TIGTA calculated it would take more than 1.1 million labor hours based on the IRS's estimate of 542 full-time equivalent employees to implement the tax provisions contained in TCJA. The IRS plans to use current and new employees to meet these needs. As of June 2018, 117 current and new employees have been hired and entered on duty to meet these needs.

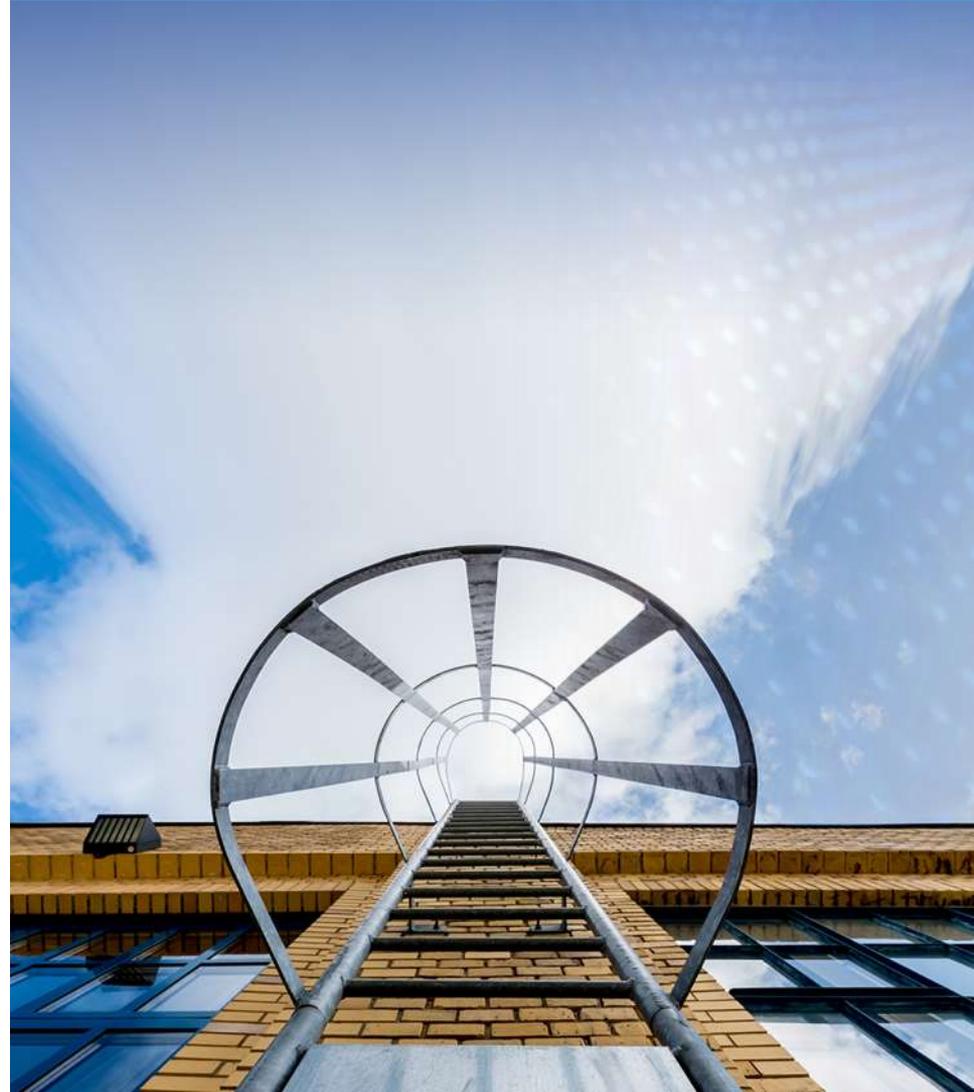
Due to the lengthy process to hire employees or bring contractors onboard, the TIGTA report says positions might not be quickly filled causing risk to the timelines of the information technology updates. Delays in updating, modifying, and testing these technology systems increases the risk of a delayed start of the 2019 filing season.

TCJA	Tax Cuts & Jobs Act
AMT	Alternative Minimum Tax
EBL	Excess Business Losses
GVWR	Gross Vehicle Weight Rating
HEI	Home Equity Indebtedness
HSA	Health Savings Account
NOL	Net Operating Loss
OZF	Opportunity Zone Fund
QAI	Qualified Acquisition Indebtedness

QBI	Qualified Business Income
PTP	Publicly Traded Partnership
REIT	Real Estate Investment Trust
RMD	Required Minimum Distribution
RPE	Relevant Passthrough Entity
SSTB	Specialized Service Trade or Business
UBIA	Unadjusted Basis Immediately After Acquisition
BRW	Brian R. Weiland and Associates P.C.
GAO	Do You know what this Stands for?

Many changes!

- Generally effective after 12/31/17
- Most changes are temporary
 - Sunset after 2025
- Guidance is needed
- Future legislation?
- State conformity to changes?



The basics

- Still seven tax brackets
 - 10%, 12%, 22%, 24%, 32%, 35%, 37%
- No more dependent exemption
- Higher child tax credit (\$2,000)
 - New \$500 non-child dependent credit
 - Refundable credit - \$1,400
 - MFJ phase out begins at \$400,000
- Increase in standard deduction
 - \$12,000 – \$18,000 – \$24,000
 - PLUS \$1,300 - \$1,600
- Individual AMT not repealed
 - *But* exemption amounts have increased



Dividend and capital gains rates unchanged

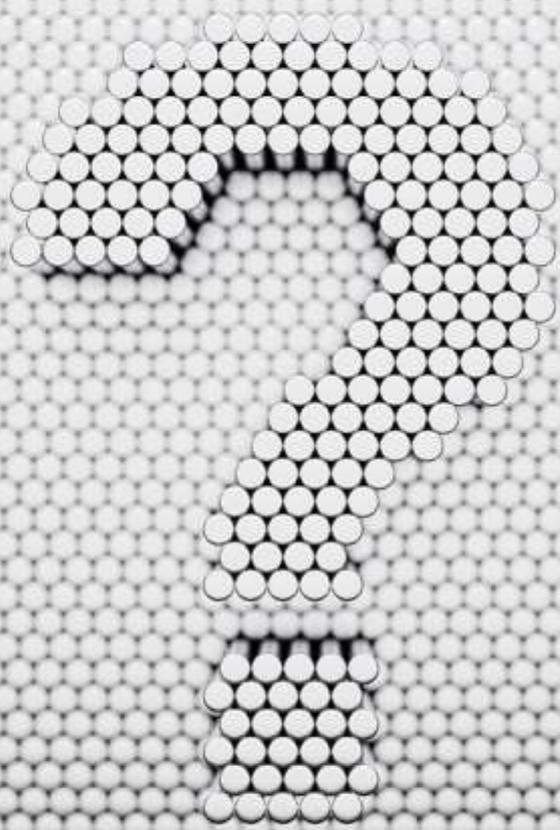
- The top tax bracket for qualified dividends and capital gains is 20% (23.8% if the net investment income tax applies).

Here's the breakdown:



2018 Tax Rates

MFJ	0	19,050	10%
	19,050	77,400	12%
	77,400	165,000	22%
	165,000	315,000	24%
	315,000	400,000	32%
	400,000	600,000	35%
	600,000	999,999,999	37%
S	0	9,525	10%
	9,525	38,700	12%
	38,700	82,500	22%
	82,500	157,500	24%
	157,500	200,000	32%
	200,000	500,000	35%
	500,000	999,999,999	37%
HOH	0	13,600	10%
	13,600	51,850	12%
	51,850	133,850	22%
	133,850	216,700	24%
	216,700	424,950	32%
	424,950	453,350	35%
	453,350	999,999,999	37%
MFS	-	9,525	10%
	9,525	38,700	12%
	38,700	82,500	22%
	82,500	157,500	24%
	157,500	200,000	32%
	200,000	300,000	35%
	300,000	999,999,999	37%



Itemized deductions changes

- Repeal of the overall limitation on itemized deductions
- Medical deduction threshold is 7.5% for 2017 & 2018
 - Reverts to 10% starting in 2019
- Mortgage interest limited to \$750k of debt
 - Debt prior to 12/15/17 is grandfathered
- Home equity interest no longer deductible
- State and local tax deduction is limited to \$10k (\$5k if MFS)
 - Exceptions to \$10k Limit
 - Tax imposed at entity level
 - Property taxes for residential rental property/business property
- AGI limitation increased to 60% for cash contributions (from 50%)

Misc. itemized deductions subject to 2% AGI

- Investment fees/expenses
- Unreimbursed employee expenses
- Hobby expenses
- Legal fees related to producing income
- Safe deposit fee
- Tax prep fees (“A” only)

...are no longer deductible

-
- Gambling losses (to extent of gambling income) are a non 2% itemized deduction (can you itemize?)

Ways to increase deductions

- Property Taxes (if under \$10k)
- Mortgage Payments (11 vs. 13)
- Charitable (Donor Advised Funds)

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0047

2017

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0047

Department of the Treasury
Internal Revenue Service
Form 1040-SS (2017)

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 28.

Your social security number

Single			
Medical and Dental Expenses			
Caution: Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1	
2	Enter amount from Form 1040, line 38	2	8
3	Multiply line 2 by 7.5% (0.075)	3	
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0	4	
Taxes You Paid			
State and local (check only one box):			
a	<input checked="" type="checkbox"/> Income taxes, or	5	4,728
b	<input type="checkbox"/> General sales taxes	6	
6	Real estate taxes (see instructions)	6	4,132
7	Personal property taxes	7	
8	Other taxes. List type and amount	8	
9	Add lines 5 through 8	9	8,860
Interest You Paid			
10	Home mortgage interest and points reported to you on Form 1098	10	7,650
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	11	
Note: Your mortgage interest deduction may be limited (see instructions).			
12	Points not reported to you on Form 1098. See instructions for special rules	12	
13	Mortgage insurance premiums (see instructions)	13	
14	Investment interest. Attach Form 4952 if required. See instructions	14	
15	Add lines 10 through 14	15	7,650
Gifts to Charity			
16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	
17	Other than by cash or check. If any gift of \$250 or more, see instructions. If you made a gift and got a benefit for it, see instructions.	17	
18	Carryover from prior year	18	
19	Add lines 16 through 18	19	
Casualty and Theft Losses			
20	Casualty or theft losses other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. See instructions.	20	
Job Expenses and Certain Miscellaneous Deductions			
21	Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions.	21	
22	Tax preparation fees	22	
23	Other expenses - investment, safe deposit box, etc. List type and amount	23	
24	Add lines 21 through 23	24	
25	Enter amount from Form 1040, line 38	25	
26	Multiply line 25 by 2% (0.02)	26	
27	Subtract line 26 from line 24. If line 26 is more than line 24, enter 0	27	
Other Miscellaneous Deductions			
28	Other - from list in instructions. List type and amount	28	
29	Is Form 1040, line 38, over \$158,000? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	29	16,510
30	If you elect to itemize deductions even though they are less than your standard deduction, check here	30	
Total Itemized Deductions		29	16,510

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0047

2018

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0047

Department of the Treasury
Internal Revenue Service
Form 1040-SS (2018)

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 20.

Your social security number

Single			
Medical and Dental Expenses			
Caution: Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1	
2	Enter amount from Form 1040, line 38	2	8
3	Multiply line 2 by 7.5% (0.075)	3	
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0	4	
Taxes You Paid			
State and local (check only one box):			
a	<input checked="" type="checkbox"/> Income taxes, or	5	4,728
b	<input type="checkbox"/> General sales taxes	6	
6	Real estate taxes (see instructions)	6	4,132
7	Personal property taxes	7	
8	Other taxes. List type and amount	8	
9	Add lines 5 through 8 limited to \$10,000 (non-MPS) or \$5,000 (MPS)	9	8,860
Interest You Paid			
10	Home mortgage interest and points reported to you on Form 1098	10	7,650
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	11	
Note: Your mortgage interest deduction may be limited (see instructions).			
12	Points not reported to you on Form 1098. See instructions for special rules	12	
13	Mortgage insurance premiums (see instructions)	13	
14	Investment interest. Attach Form 4952 if required. See instructions	14	
15	Add lines 10 through 14	15	7,650
Gifts to Charity			
16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	
17	Other than by cash or check. If any gift of \$250 or more, see instructions. If you made a gift and got a benefit for it, see instructions.	17	
18	Carryover from prior year	18	
19	Add lines 16 through 18	19	
Casualty and Theft Losses			
20	Casualty or theft losses other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. See instructions.	20	
Job Expenses and Certain Miscellaneous Deductions			
21	Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions.	21	N/A for 2018
22	Tax preparation fees	22	N/A for 2018
23	Other expenses - investment, safe deposit box, etc. List type and amount	23	
24	Add lines 21 through 23	24	N/A for 2018
25	Enter amount from Form 1040, line 38	25	N/A for 2018
26	Multiply line 25 by 2% (0.02)	26	N/A for 2018
27	Subtract line 26 from line 24. If line 26 is more than line 24, enter 0	27	N/A for 2018
Other Miscellaneous Deductions			
28	Other - from list in instructions. List type and amount	28	
29	Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40	29	16,510
Total Itemized Deductions		29	16,510
30 If you elect to itemize deductions even though they are less than your standard deduction, check here		30	

DO NOT FILE FOR PROJECTION PURPOSES ONLY

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service

**DOES NOT APPLY - NOT USED
Itemized Deductions**

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040.

OMB No. 1545-0045

2018

Standard Deduction

Supplemental Form No. 07

Married, shown as Form 1040

Caution: If you are claiming a net qualified disaster loss on Form 4699, see the instructions for line 20.

Your social security number

Married Filing Jointly

Medical and Dental Expenses		Caution: Do not include expenses reimbursed or paid by others.		
1	Medical and dental expenses (see instructions)		1	17,677.
2	Enter amount from Form 1040, line 38	2 203,748.		
3	Multiply line 2 by 7.5% (0.075)		3	15,281.
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0		4	2,396.
Taxes You Paid		State and local (check only one box):		
5	<input checked="" type="checkbox"/> Income taxes, or		5	7,010.
6	<input type="checkbox"/> General sales taxes		6	3,875.
7	Real estate taxes (see instructions)		7	124.
8	Personal property taxes		8	
9	Other taxes. List type and amount: ▶		9	
	Add lines 5 through 9 (limited to \$10,000 (non-MFJ) or \$5,000 (MFJ))		9	10,000.
Interest You Paid				
10	Home mortgage interest and points reported to you on Form 1098		10	8,425.
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶		11	
Note: Your mortgage interest deduction may be limited (see instructions).			12	43.
13	Points not reported to you on Form 1098. See instructions for special rules		13	
14	Mortgage insurance premiums		14	
15	Investment interest. Attach Form 4952 if required. See instructions		15	
	Add lines 10 through 14		15	8,469.
Gifts to Charity				
16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions		16	
17	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500		17	500.
18	Carryover from prior year		18	
19	Add lines 16 through 18		19	500.
Casualty and Theft Losses		Casualty or theft loss(es) other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. See instructions.		
20			20	
Job Expenses and Certain Miscellaneous Deductions				
21	Unreimbursed employee expenses: job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions. ▶		21	N/A for 2018
22	Tax preparation fees		22	N/A for 2018
23	Other expenses - investment, safe deposit box, etc. List type and amount ▶		23	N/A for 2018
24	Add lines 21 through 23		24	N/A for 2018
25	Enter amount from Form 1040, line 38	25 N/A for 2018	25	N/A for 2018
26	Multiply line 25 by 2% (0.02)		26	N/A for 2018
27	Subtract line 26 from line 24. If line 26 is more than line 24, enter 0		27	N/A for 2018
Other Miscellaneous Deductions		Other - from list in instructions. List type and amount ▶		
			28	
Total Itemized Deductions				
29	Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40		29	21,365.
30	If you elect to itemize deductions even though they are less than your standard deduction, check here ▶		30	

DO NOT FILE FOR PROJECTION PURPOSES ONLY

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0047

2017

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 23.

Department of the Treasury
Internal Revenue Service

2017

Your social security number

Married Filing Jointly

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.		
1	Medical and dental expenses (see instructions)	1	9,560.
2	Enter amount from Form 1040, line 38	2	188,479.
3	Multiply line 2 by 7.5% (0.075)	3	14,136.
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0.	4	0.
Taxes You Paid	State and local (check only one box):		
5	a <input checked="" type="checkbox"/> Income taxes, or	5	17,296.
	b <input type="checkbox"/> General sales taxes		
6	Real estate taxes (see instructions)	6	10,185.
7	Personal property taxes	7	
8	Other taxes. List type and amount	8	
9	Add lines 5 through 8	9	27,481.
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10	
	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	11	
	Points not reported to you on Form 1098. See instructions for special rules	12	
	Mortgage insurance premiums (see instructions)	13	
	Investment interest. Attach Form 4952 if required. See instructions	14	
	Add lines 10 through 14	15	
	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	1,800.
	Other than by cash or check. If any gift of \$250 or more, see instructions.	17	
	You must attach Form 8283 if over \$500	18	
	Carryover from prior year	19	1,800.
	Add lines 16 through 19	19	1,800.
Casualty and Theft Losses	20 Casualty or theft losses other than net qualified disaster losses. Attach Form 6944 and enter the amount from line 18 of that form. See instructions	20	
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions.	21	
	Tax preparation fees	22	
	Other expenses - investment, safe deposit box, etc. List type and amount	23	
	Brokerage fees	24	9,632.
	Add lines 21 through 23	24	9,632.
	25 Enter amount from Form 1040, line 38	25	188,479.
	26 Multiply line 25 by 2% (0.02)	26	3,770.
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter 0.	27	5,862.
Other Miscellaneous Deductions	28 Other - from list in instructions. List type and amount	28	
	29 Is Form 1040, line 38, over \$156,000? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	29	35,143.
Total Itemized Deductions	30 If you elect to itemize deductions even though they are less than your standard deduction, check here	30	

SCHEDULE A
(Form 1040)

DOES NOT APPLY - NOT USED
Itemized Deductions

OMB No. 1545-0047

2018

Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 23.

Department of the Treasury
Internal Revenue Service

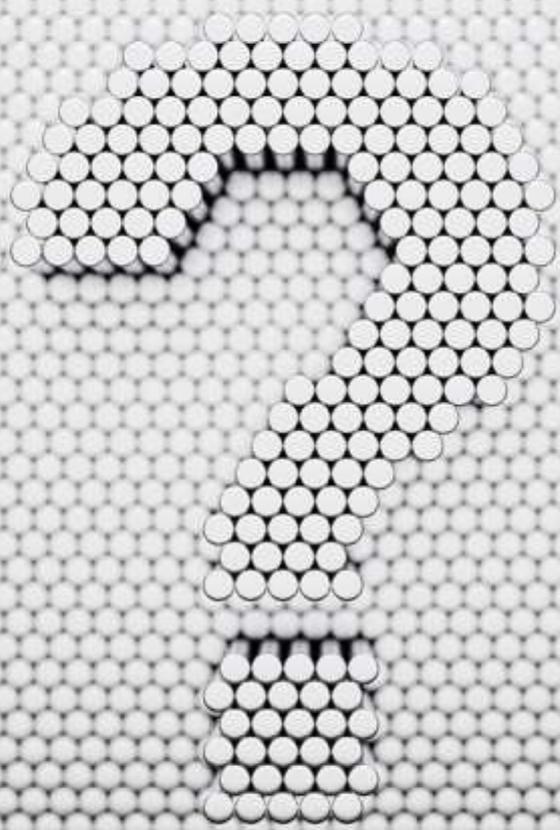
2018

Your social security number

Married Filing Jointly

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.		
1	Medical and dental expenses (see instructions)	1	9,560.
2	Enter amount from Form 1040, line 38	2	189,302.
3	Multiply line 2 by 7.5% (0.075)	3	14,198.
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0.	4	0.
Taxes You Paid	State and local (check only one box):		
5	a <input checked="" type="checkbox"/> Income taxes, or	5	17,296.
	b <input type="checkbox"/> General sales taxes		
6	Real estate taxes (see instructions)	6	10,185.
7	Personal property taxes	7	
8	Other taxes. List type and amount	8	
9	Add lines 5 through 8 (limited to \$10,000 (non-NMFS) or \$5,000 (MFS))	9	10,000.
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10	
	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	11	
	Points not reported to you on Form 1098. See instructions for special rules	12	
	Mortgage insurance premiums (see instructions)	13	
	Investment interest. Attach Form 4952 if required. See instructions	14	
	Add lines 10 through 14	15	
	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16	1,800.
	Other than by cash or check. If any gift of \$250 or more, see instructions.	17	
	You must attach Form 8283 if over \$500	18	
	Carryover from prior year	19	1,800.
	Add lines 16 through 19	19	1,800.
Casualty and Theft Losses	20 Casualty or theft losses other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. See instructions	20	
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions.	21	N/A for 2018
	Tax preparation fees	22	N/A for 2018
	Other expenses - investment, safe deposit box, etc. List type and amount	23	
	Brokerage fees	24	N/A for 2018
	Add lines 21 through 23	24	N/A for 2018
	25 Enter amount from Form 1040, line 38	25	N/A for 2018
	26 Multiply line 25 by 2% (0.02)	26	N/A for 2018
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter 0.	27	N/A for 2018
Other Miscellaneous Deductions	28 Other - from list in instructions. List type and amount	28	
Total Itemized Deductions	29 Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40	29	11,800.
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here	30	

DO NOT FILE FOR PROJECTION PURPOSES ONLY



Other individual changes to note

- Casualty losses: only from federally-declared disasters
- Alimony: deduction/inclusion repealed for divorces executed after 12/31/18
- Moving expenses deduction repealed (except military)
- Kiddie tax now at trusts/estate tax rates

New Corporate 21% Tax Rate

20% pass-through deduction (Schedule C, E, K-1)

- 20% of qualified business income
- Qualified business income definitions
 - Qualified trade/business income
 - Not a specified service/trade/business (SSTB)
 - Trade/business involving performance of specified services
 - Does not include investment income
 - Does not include reasonable compensation paid from S corporation or guaranteed payments paid to a partner
 - Phase-out limitation

SSTB - Specified Service Trade or Business

- Health
- Law
- Accounting
- Actuarial Science
- Performing Arts
- Consulting
- Athletics
- Financial Services
- Brokerage Services
- Investment and Investment Management
- Trading
- Dealing in Securities

"Any trade of business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners as defined in paragraph (b)(2)(xiv) of this section"

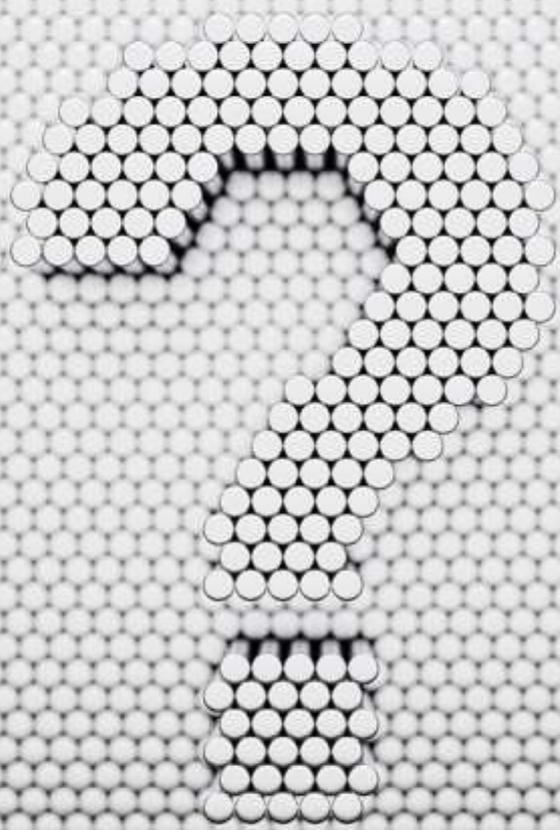
(Celebrity endorsements & appearances)

Aug 10, 2018, 12:00pm

IRS Says New Pass-Through Rules Could Add \$1.3 Billion In Compliance Costs



Kelly Phillips Erb Forbes Staff
Taxes

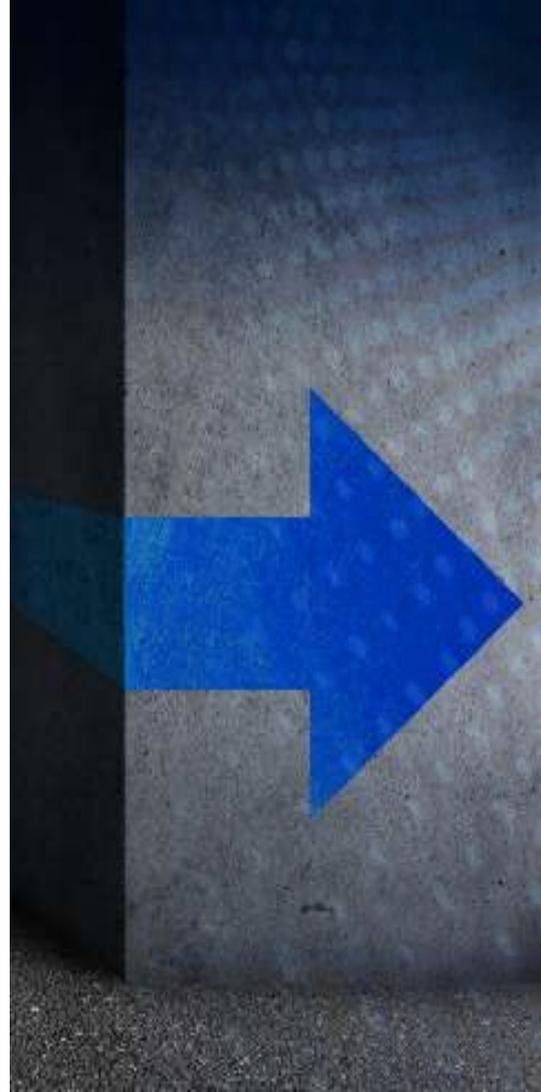


Alternative minimum tax (AMT) changes

- Alternative tax system that parallels the regular federal tax (with different rates and rules for deductions)
- Increase in exemption amount
- Due to limit on state/local tax deduction and repeal of miscellaneous deductions, impact should be less

Single	2017	2018
Exemption	54,300	70,300
Phase out Begins	120,700	500,000
Married Filing Jointly		
Exemption	84,500	109,400
Phase out Begins	160,900	1,000,000

- Review tax-free investments – Compare to taxable rates
- Private activity bonds? Okay now?

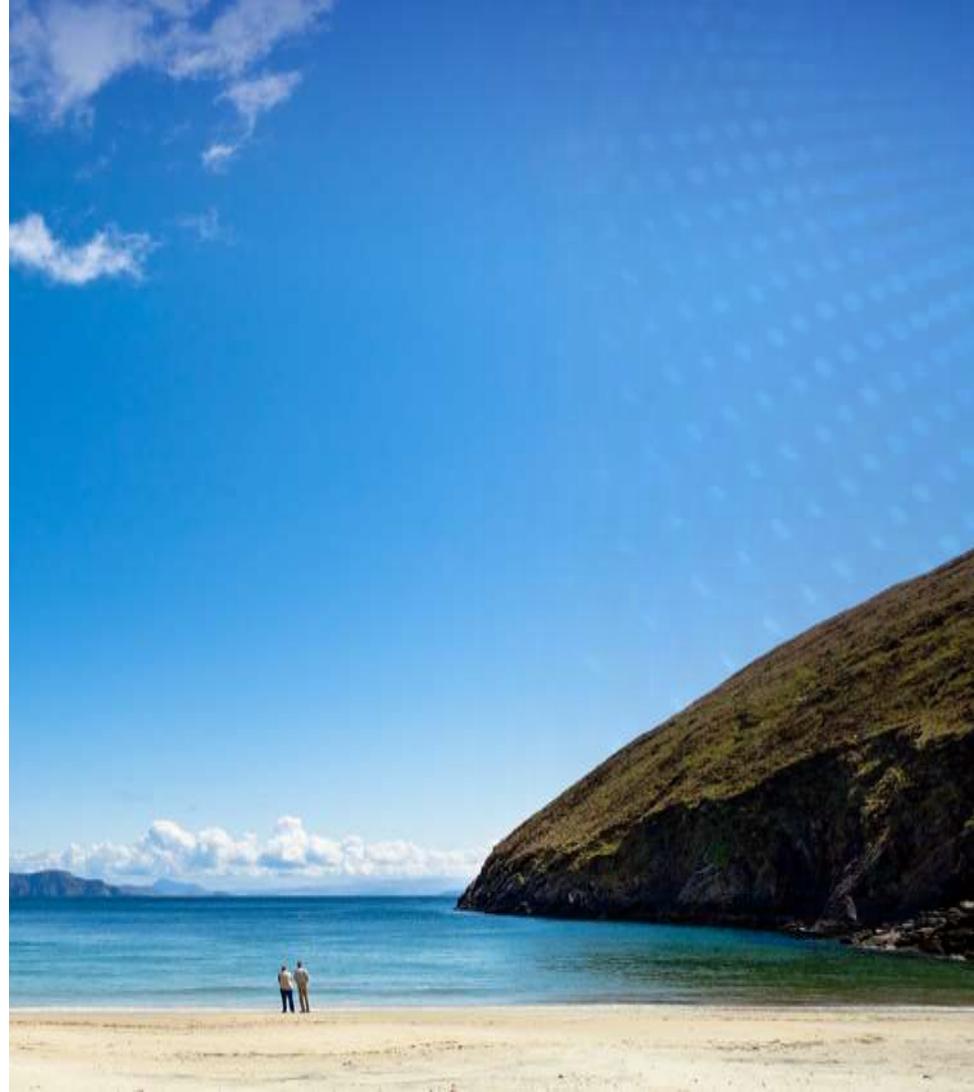


Depreciation changes - Auto Limits

- Light Duty Trucks, Vans, and Cars Under 6000 lbs. GVWR - \$18,000 Maximum Section 179
- SUV 6000-14000 lbs. GVWR - \$25,000 Limitation
- Other Vehicles Over 6000 lbs. GVWR - No Depreciation or Special Section 179 Limit

Changes to retirement planning

- Ability to recharacterize a Roth conversion to a traditional IRA is removed after 2017
- Extension of rollover period for plan loan offsets until due date of tax return.



Estate and gift taxes changes

- Gift tax is imposed on certain lifetime transfers and estate tax is imposed on certain transfers at death. A "basic exclusion amount" applies to an individual's lifetime combined gifts and estate transfers.
- Deceased Spouse Unused Exemption (DSUE)
- Revised law left the top estate tax rate at 40% and increased exemption
- 2018 estate tax exemption: \$11.2 million
- 2018 gift tax annual exclusion: \$15,000 per person
- Estate planning is **more than minimizing estate taxes.**
 - Updating documents
 - Privacy

Income Taxation for Trusts and Estates

Ordinary income rates under the new Act

Tax Rates	Thresholds
10%	\$0-\$2,550
24%	\$2,551-\$9,150
35%	\$9,151-\$12,500
37%	over \$12,500

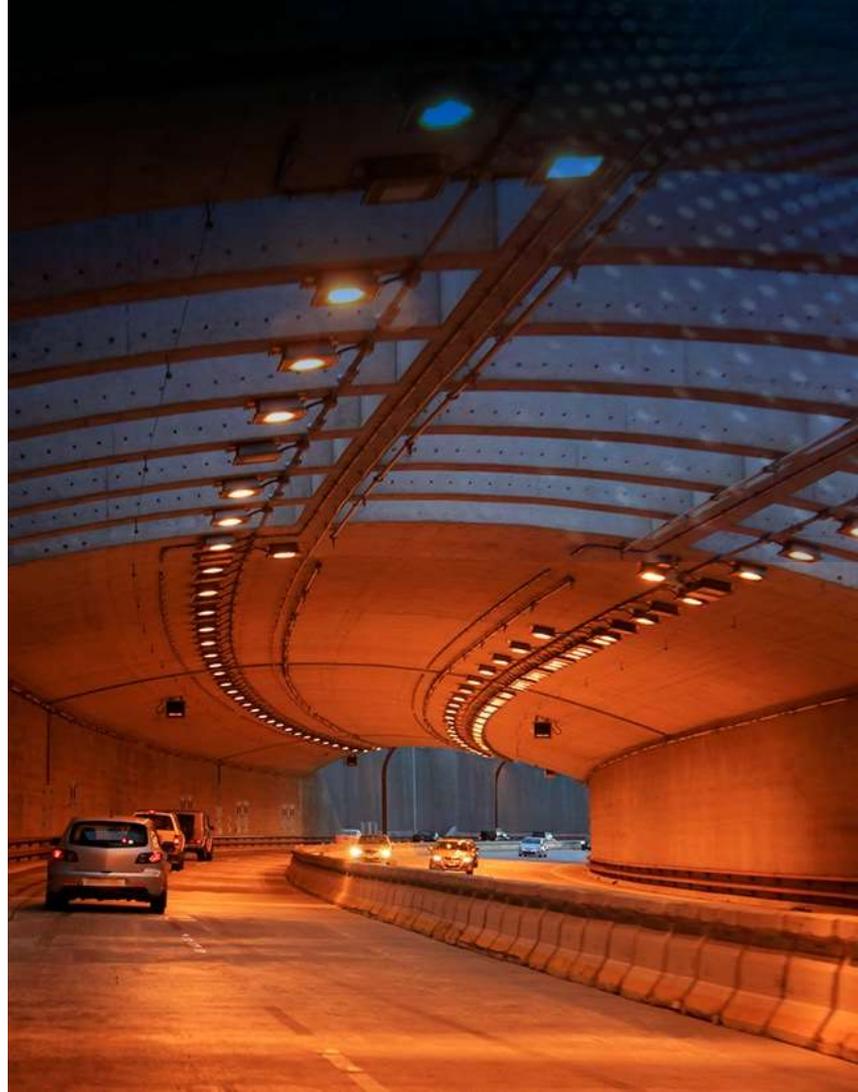
Capital gains and qualified dividend rates under new Act

0%	\$0-\$2,600
15%	\$2,601-\$12,700
20%	over \$12,700

The new itemized deduction limitations that apply to individuals also apply to estates.

How to avoid underpayment penalties

- Estimated tax payments/withholding



Proposed changes not included in final bill (that are still active in 2018) include ...

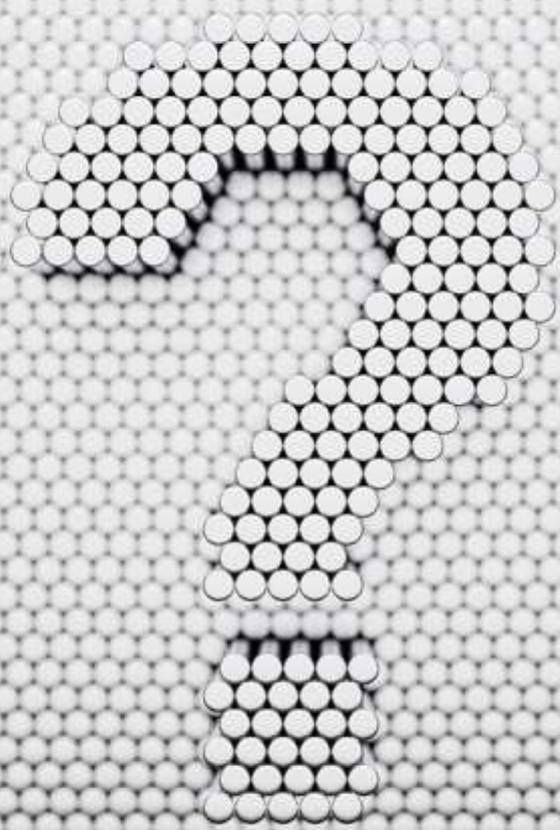
- Additional standard deduction for elderly and blind (\$1,300 - \$1,600)
- \$250 above-the-line teacher deduction is not changed
- Exclusion for employer-provided dependent care assistance
- Exclusion for adoption assistance programs
- Reduction of capital gain rates/changes to taxation of interest income
- Sec. 121 exclusion of gain on sale of principal residence
- Required use of FIFO to determine basis of stock dispositions
- Charitable driving remains at 14 cents/mile (rather than actual)
- Consolidation and modification of education provisions not included (only change is to expand 529 plans)
- Plug-in electric vehicle credit (Sec. 30D)

Planning tips

Requires rethinking and planning in many areas

- Choice of entity for business ventures
- Charitable giving planning
- Estate/gift planning with temporary increased exemption
- RMD
- Interplay of Sec. 199A with remaining rules such as passive activity loss limits
- Max HSA if eligible – High deductible plan + No Medicare
- Vacation Homes – Use % vs. # of Days
- Pay off Mortgage
- Opportunity Zone Funds



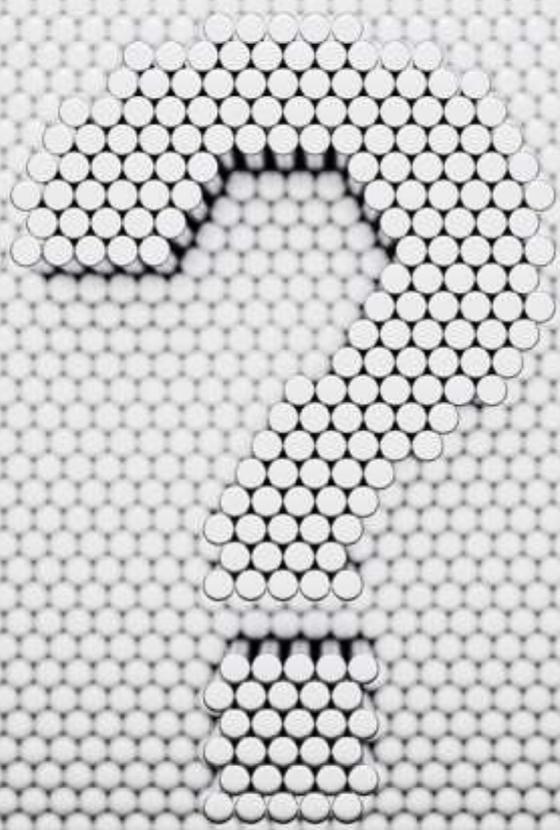


Depreciation changes

- Additional first year/bonus depreciation- 100% for property acquired after 9/27/17
- Now allowed for new and **used** property
- Phase down schedule for years after 2022
- Increases to Sec. 179 (\$1M and threshold \$2.5M)
- All Limits are indexed for inflation

Rental Depreciation changes

- Commercial Only - Expansion for certain real property (roofs, HVAC)
- Residential Rentals - Allows 100% expense of property (appliances, carpeting, etc. allowed)
- Cost segregation study more valuable now since non-real property assets can be written off immediately



Commenters also suggested that the section 199A regulations incorporate the real estate professional provisions in section 469(c)(7) in a manner similar to the cross references in section 163(j) and §1.1411-4(g)(7). Under section 469, a real estate professional may treat rental real estate activities described in section 469(c)(7)(C) as nonpassive if the taxpayer materially participates in such activities. Section 1.469-5T(a) provides seven tests to establish material participation, but as noted above, these tests only determine whether an individual materially participates in a rental real estate activity. They cannot be used to determine whether the activity itself is a trade or business. Unlike section 469, whether a taxpayer is entitled to a section 199A deduction is not determined based on the taxpayer's level of participation in a trade or business, nor does it require that an individual materially participate in the trade or business. Instead, section 199A is dependent on whether the individual has QBI from a trade or business. Consequently, the Treasury Department and the IRS decline to adopt these comments because the §1.469-5T material participation tests are not a proxy to establish regular, continuous, and considerable activity that rises to the level of a trade or business for purposes of section 199A.

b. Rental Real Estate Activities as a Trade or Business.

A majority of the comments received on the meaning of a trade or business focus on the treatment of rental real estate activities. Commenters noted inconsistency in the case law in determining whether a taxpayer renting real estate is engaged in a trade or business. Some commenters suggested including safe harbors, tests, or a variety of factors, which if satisfied, would qualify a rental real estate activity as a trade or business. A number of commenters suggested that all rental real estate activity should

qualify as a trade or business. Further, one commenter suggested that rental income from real property held for the production of rents within the meaning of section 62(a)(4) should be considered a trade or business for purposes of section 199A. Another commenter suggested that final regulations provide that an individual whose taxable income does not exceed the threshold amount will be considered to be conducting a trade or business with respect to any real estate rental of which the individual owns at least ten percent and in which the individual actively participates within the meaning of section 469(i).

In determining whether a rental real estate activity is a section 162 trade or business, relevant factors might include, but are not limited to (i) the type of rented property (commercial real property versus residential property), (ii) the number of properties rented, (iii) the owner's or the owner's agents day-to-day involvement, (iv) the types and significance of any ancillary services provided under the lease, and (v) the terms of the lease (for example, a net lease versus a traditional lease and a short-term lease versus a long-term lease).

Providing bright line rules on whether a rental real estate activity is a section 162 trade or business for purposes of section 199A is beyond the scope of these regulations. Additionally, the Treasury Department and the IRS decline to adopt a position deeming all rental real estate activity to be a trade or business for purposes of section 199A. However, the Treasury Department and IRS recognize the difficulties taxpayers and practitioners may have in determining whether a taxpayer's rental real estate activity is sufficiently regular, continuous, and considerable for the activity to constitute a section 162 trade or business. Accordingly, **Notice 2019-07**, 2019-XXX

IRB XXX released concurrently with these final regulations, provides notice of a proposed revenue procedure detailing a proposed safe harbor under which a rental real estate enterprise may be treated as a trade or business solely for purposes of section 199A.

Under the proposed safe harbor, a rental real estate enterprise may be treated as a trade or business for purposes of section 199A if at least 250 hours of services are performed each taxable year with respect to the enterprise. This includes services performed by owners, employees, and independent contractors and time spent on maintenance, repairs, collection of rent, payment of expenses, provision of services to tenants, and efforts to rent the property. Hours spent by any person with respect to the owner's capacity as an investor, such as arranging financing, procuring property, reviewing financial statements or reports on operations, planning, managing, or constructing long-term capital improvements, and traveling to and from the real estate are not considered to be hours of service with respect to the enterprise. The proposed safe harbor also would require that separate books and records and separate bank accounts be maintained for the rental real estate enterprise. Property leased under a triple net lease or used by the taxpayer (including an owner or beneficiary of an RPE) as a residence for any part of the year under section 280A would not be eligible under the proposed safe harbor. A rental real estate enterprise that satisfies the proposed safe harbor may be treated as a trade or business solely for purposes of section 199A and such satisfaction does not necessarily determine whether the rental real estate activity is a section 162 trade or business. Likewise, failure to meet the proposed safe harbor

would not necessarily preclude rental real estate activities from being a section 162 trade or business.

Examples 1 and 2 of proposed §1.199A-1(d)(4) describe a taxpayer who owns several parcels of land that the taxpayer manages and leases to airports for parking lots. The Treasury Department and the IRS are aware that some practitioners and taxpayers questioned whether the use of the lease of unimproved land in these examples was intended to imply that the lease of unimproved land is a trade or business for purposes of section 199A. Proposed §1.199A-1(d)(4) provides that for purposes of the examples all businesses described in the examples are trades or business for purposes of section 199A. Example 1 was intended to provide a simple illustration of how the calculation would work if a taxpayer lacked sufficient W-2 wages or UBIA of qualified property to claim the deduction. Example 2 built on the fact pattern by adding UBIA of qualified property to the facts. The examples in the proposed regulations were not intended to imply that the lease of the land is, or is not, a trade or business for purposes of section 199A beyond the assumption in the examples. In order to avoid any confusion, the final regulations remove the references to land in both examples.

QBI Computations

20% of the lesser of QBI or TI without Capital Gains* or QD

* LTCG and Sect 1250 Unrecaptured Gains

TI < \$157,500 for Single

TI < \$315,000 for MFJ

Or else limitations apply:

50% of Wages OR 25% of Wages + 2.5% of UBIA

SSTB more restrictive over the TI limits

Self-rental is QBI

Relevant Passthrough Entities (RPE)

Sole Proprietorship

1-Member LLC

Partnerships (Watch for 707c)

Most Trusts

S-Corporation

Must have Wages

Wages reduce QBI

S-Corporations usually NOT recommended for RE Ownership

Trade or Business

Activity must be:

Regular
Continuous
Considerable

Also requires separate:

Books & Records
Bank Accounts

Safe Harbor

250 Hours spent by:

NOT ALLOWED in 250

R&M

Collection of Rent

Payment of Expenses

“Provision of Services to Tenants”

Efforts to rent the property

“Investor Activities”

Arranging financing

Procuring Property

Reviewing Financial Statements

Reviewing Reports on Operations

Managing or Cons. L-T Cap Imp.

Traveling to/from Real Estate

Safe Harbor

Triple Net Lease and “Vacation Homes” are NOT Eligible for Safe Harbor

Qualifying for Safe Harbor means nothing for Section 162 purposes

Self-rental to a related business is automatically QBI

These Qualify for 20%:

REIT

PTP

RIC

Aggregation

Requirements:

50% ownership by group

50% majority of year

Same Tax Year-end

NOT SSTB

Must Meet 2 of 3:

Similar products or services

Share common resources

“Supply Chain”

Required annual disclosure of aggregation*

*or IRS disallowance of aggregation

Audit Regime

New rules for Partnership Audits

Entity Level

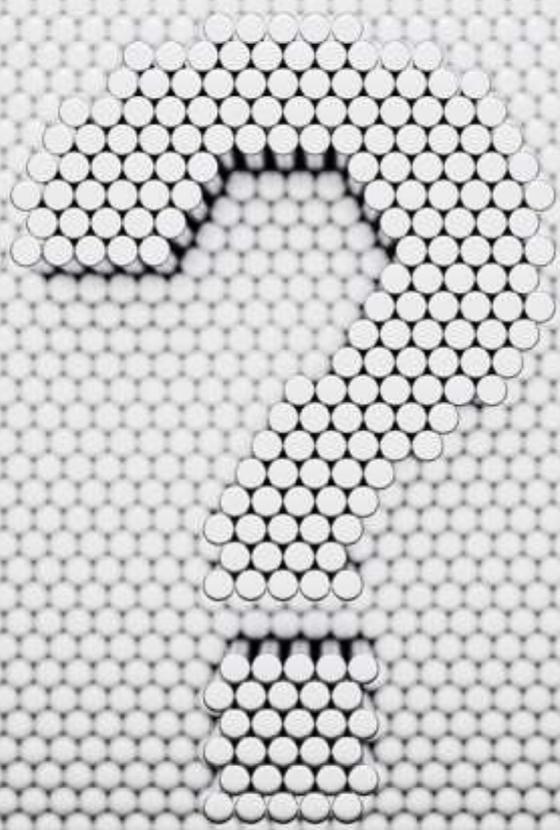
TOP Tax Bracket

Current partnership pays

Elect Out

NO for Disregarded Entities

NO for Grantor Trusts



Thank you

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