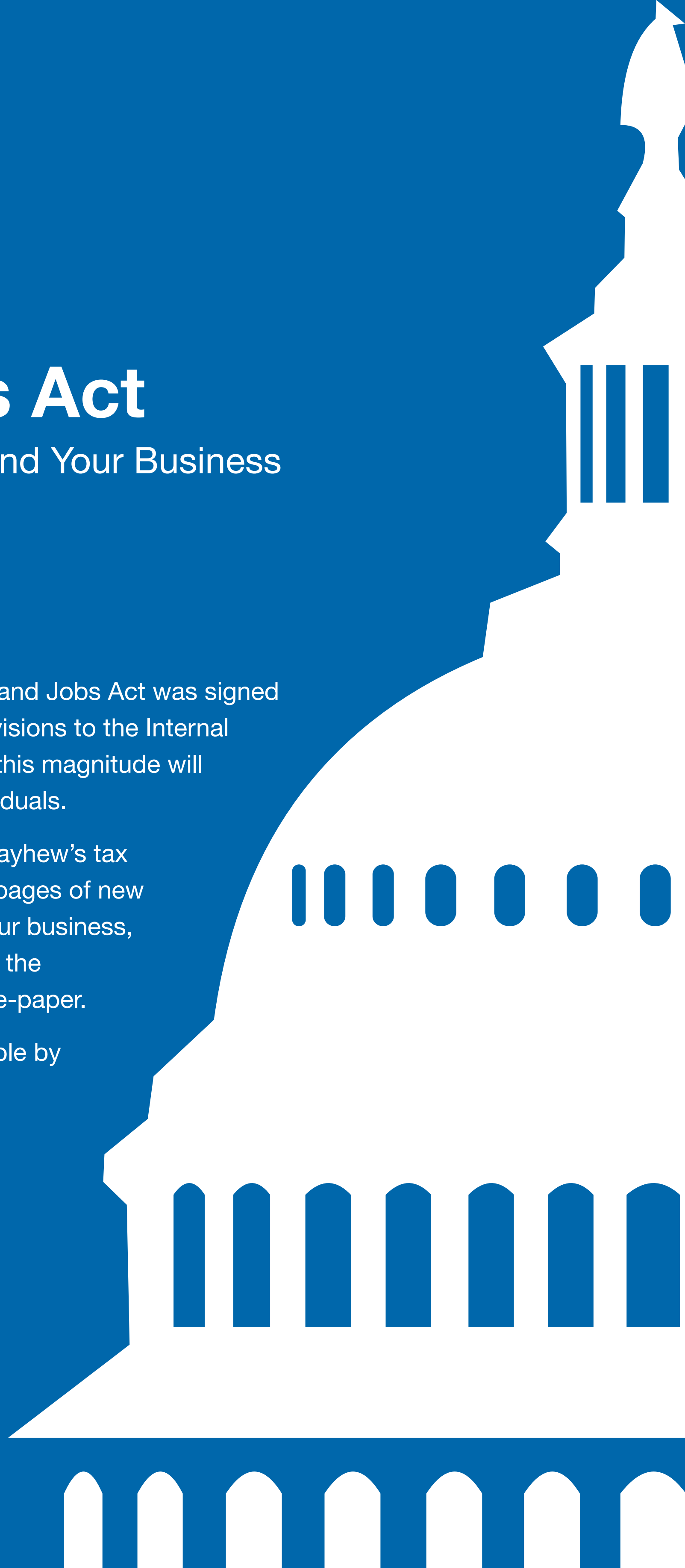
Tax Cuts and Jobs Act

Highlights of What is Ahead for You and Your Business



Overview

With President Trump's seal of approval, the Tax Cuts and Jobs Act was signed into law — representing one of the most significant revisions to the Internal Revenue Code in more than 30 years. A tax reform of this magnitude will have broad implications on both businesses and individuals.

To help you better understand the changes, Doeren Mayhew's tax advisors are working to interpret the more than 1,000 pages of new legislation to determine how it may impact you and your business, and develop tax strategies to implement as a result. In the meantime, we have compiled notable changes in this e-paper.

Stay up-to-date as more detailed information is available by signing up for our *VIEWpoint* newsletter today at www.doeren.com/viewpoint. Should you have any questions, please contact our tax advisors.

Individuals

While many of the final bill's provisions impact businesses, it also includes significant changes for individual taxpayers, most of which take effect for 2018 and expire after 2025. Here are some of the main provisions affecting individual taxpayers.

Tax Rates

Under the new legislation, individual income tax rates are reduced until at least 2025, where the top income tax rate for individuals is 37 percent, as outlined in the brackets below:

Rate	Married Filing Jointly	Individual
10%	$0 - $19,050	$0 - $9,525
12%	$19,050 - $77,400	$9,525 - $38,700
22%	$77,400 - $165,000	$38,700 - $82,500
24%	$165,000 - $315,000	$82,500 - $157,500
32%	$315,000 - $400,000	$157,500 - $200,000
35%	$400,000 - $600,000	$200,000 - $500,000
37%	Over $600,000	Over $500,000

Expected to bring more than $128 billion into the U.S. Treasury over the next 10-year period, these new tax rates will be indexed with a chain Consumer Price Index inflation approach.

However, this bill does not change current tax treatment of qualified dividends and capital gains. Additionally left untouched are the taxes related to net investment income, Medicare, the Affordable Care Act and medical device excise, among others.

Standard Deduction

For tax years beginning after 2017, taxpayers will see a nearly doubled standard deduction of $24,000 for married individuals filing a joint return, $18,000 for head-of-household filers and $12,000 for all other individuals at least until Dec. 31, 2025.

Aimed at simplifying the tax filing of itemized deductions, the increased standard deduction would effectively eliminate most taxpayers, other than high-income, from taking the itemized deduction approach. Personal exemption deductions are also eliminated through 2025, but an enhanced child and family tax credit should adjust the difference for those families affected.

Alternative Minimum Tax (AMT)

With a temporary increase on AMT exemption amounts, as well as phase-out levels through 2025, joint filing taxpayers will benefit from a $109,400 exemption amount ($70,300 for others, except trusts and estates). Phase-out levels will have AMT apply to joint filing taxpayers with an income level of $1 million ($500,000 for others) and above.

Capital Gains

Under new law, the holding period for long-term capital gains is increased to three years with respect to certain partnership interests transferred in connection with the performance of services.

Deductions and Credits

Significant changes to popular credits and deductions affecting individuals, although temporary until 2025, have been enforced to help keep overall revenue costs of the new bill in line, such as:

Mortgage Interest Deduction
The mortgage interest deduction will be capped for interest paid on principal amounts of up to $750,000 for tax years beginning after Dec. 31, 2017. Grandfathering of existing mortgages incurred before Dec. 15, 2017 at $1 million is called for, as well as allowing mortgage interest of second homes to be deducted within the $750,000 threshold. However, no deduction will be allowed for interest on home equity indebtedness.

State and Local Taxes

Itemized state and local tax deductions, including property taxes, is limited up to $10,000 for joint filers ($5,000 for married filing separate). Sales taxes may be included as an alternative to claiming state and local income taxes.

Miscellaneous Itemized Deductions

A repeal of all miscellaneous itemized deductions has occurred for those deductions subject to a two-percent floor.

Medical Expenses

The medical expenses deduction is temporarily enhanced with a lower threshold of 7.5 percent of adjusted gross income for the 2017 and 2018 tax years.

Education

The student interest deduction remains in place, as well as the graduate tuition waiver exclusion. However, above-the-line education expenses can no longer be deducted.

Moving Expenses

Moving expenses are not deductible for tax years between 2018 and 2025. Active members of the Armed Forces will be exempt pursuant to a military order to move.

Alimony

New rules apply to divorce or separation executed after Dec. 31, 2018, in which the deduction for alimony payments and their inclusion in the income of the recipient will no longer be valid.

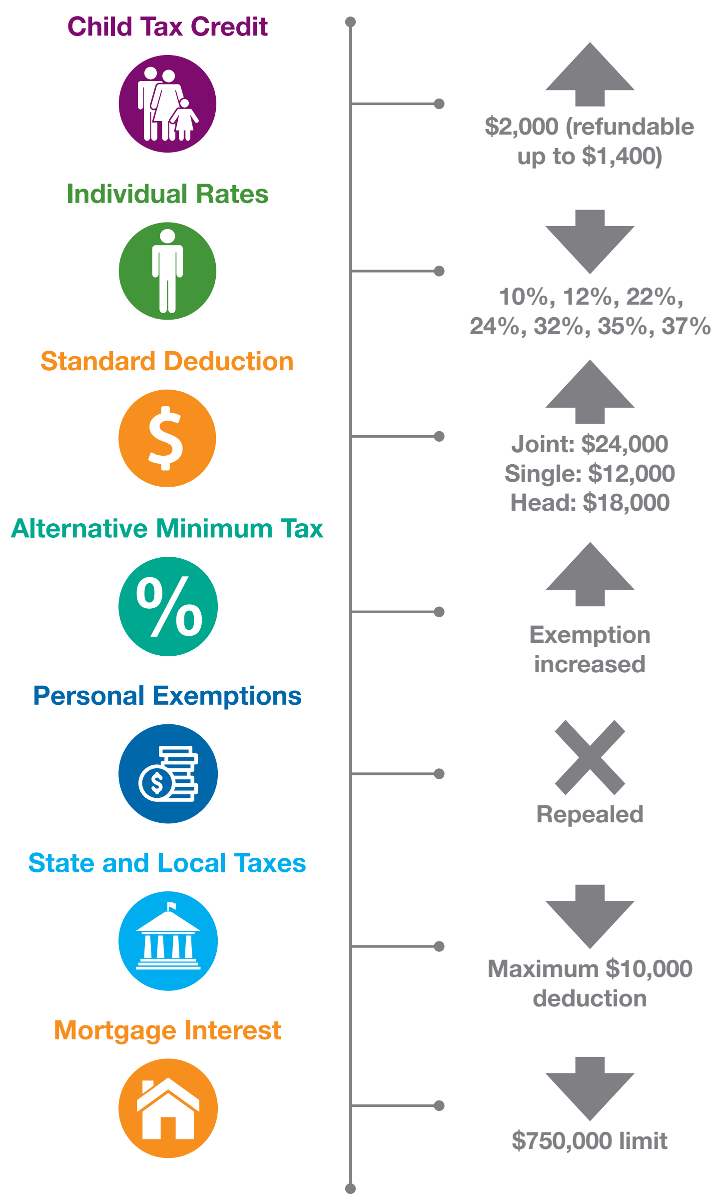
Charitable Contributions

Deductions related to charitable contributions have been modified. The bill increases the adjusted gross income limitation on cash contributions to 60 percent effective for contributions made in tax years beginning after 2017 and before 2026. However, the current 80-percent deduction for contributions made for university athletic seating rights has been repealed. Also repealed is the exception to the contemporaneous written acknowledgement requirement of $250 or more.

Child Tax Credit

The temporary increase to the child tax credit is $2,000 per qualifying child, with up to $1,400 refundable for those joint filers with gross income under $400,000 ($200,000 for all other filers), should assist in lowering overall tax liability for middle-class families. Further modifying the credit is a $500 nonrefundable credit for qualifying dependents other than qualifying children.

Individual Tax Bill Summary



Retirement Rules

For the most part, new legislation maintains current 401(k) and other retirement plan rules, however it does disallow the recharacterization of Roth IRA contributions as traditional.

Federal Estate Tax

The estate and gift tax exclusion amounts are now doubled to $22 million for married couples for the tax years between 2018 and 2025. The bill also doubles the generation-skipping transfer tax exemption.

Businesses

Most businesses, both big and small, will reap many benefits laid out in new tax legislation — the biggest being a cut in the federal corporate tax and a significant deduction for all pass-through businesses. Some notable changes impacting businesses have been outlined below for you.

Corporate Taxes

With the new legislation, businesses will reap the benefit of a permanently lower corporate tax rate of 21 percent beginning in 2018. Furthermore, the 80-percent and 70-percent dividends thresholds received have been reduced to 65 percent and 50 percent, respectively.

Although, corporate AMT has been repealed, some corporations will also be able to use certain tax benefits related to corporate AMT to effectively pay significantly below the new 21 percent rate. For the tax years between 2018 and 2022, a prior year minimum tax credit would be refundable in an amount equal to 50 percent (100 percent for tax years beginning in 2021) in excess of the credit for the year over the amount of the credit allowable for the year against regular tax liability.

Pass-Through Businesses

Moving forward, owners of S corporations, partnerships and sole proprietorships are allowed a temporary deduction in an amount equal to 20 percent of qualified income of pass-through entities subject to various limitations. Thresholds will remain on specified service business and wage limits, however they are reduced to $157,500 ($315,000 in the case of a joint return). Service providers such as accountants, doctors and lawyers will be subject to certain rules to avoid their compensation income being taxed at higher rates into profits taxed at the lower rate.

Bonus Depreciation

With the expansion of what is qualified property, businesses are now able to depreciate 100 percent of even more property placed into service after Sept. 27, 2017, and before Jan. 1, 2023. A 20-percent phase-down schedule is applicable thereafter.

Section 179 Expensing

Section 179 expensing is enhanced under new legislation with a $1 million limitation and an investment limitation of $2.5 million. The definition of qualified real property has also expanded to include all qualified improvement property, and other improvements such as roofs, heating, ventilation, air conditioning and much more.

Vehicle Depreciation

Depreciation write-offs of business-use vehicles has increased to:

- $10,000 for the first year
- $16,000 for the second year
- $9,600 for the third year
- $5,760 for each subsequent years.

The new limits apply to vehicles placed into service in 2018.

Deductions and Credits

The new tax law eliminates and modifies deductions and credits businesses have relied on over the years. Key changes are highlighted below.

Net Operating Losses (NOLs)

In general, NOLs are limited to 80 percent of taxable income for losses arising in tax years after 2017. An indefinite carryforward, subject to percentage limitations, is allowed while carrybacks are not.

Interest Deductions

Net interest expenses are now capped at 30 percent of adjustable taxable income, except for small businesses with gross receipts of $25 million or less who will receive an exception.

Code Section 199

Used by many domestic U.S. manufacturers, the domestic production activity deduction is repealed moving forward for all taxpayers beginning after Dec. 31, 2017.

Research and Development Credit

Unscathed by new legislation, the research and development credit remains in place, however requires a five-year amortization of related expenditures.

Entertainment Deductions

Businesses will no longer be able to deduct costs related to entertainment, recreation and amusement activities, as well as membership dues.

International

Creating a divided-expansion system for taxing U.S. corporations on foreign earnings when being distributed, the new legislation will impact companies doing business abroad as it relates to the below.

100-Percent Dividend Deduction

U.S. corporate shareholders are able to take a deduction of 100 percent of foreign-source dividends received from 10 percent foreign-owned corporations.

When dealing with the repatriation of foreign income a 35 percent tax rate would be mandated for those entities being expatriated within the next 10 years.

Foreign Tax Credit

The indirect foreign tax credit has been repealed. Additionally, it adds a separate foreign tax credit limitation thresholds for foreign-branch income.

Subpart F

With the expansion of who is defined as a U.S. shareholder under new legislation, also comes additional changes related to Subpart F. These include items such as the repeal of current taxation of previously excluded qualified investments, the 30-day rule and much more.