Financial Poise

With Trump Administration, Get Ready for Sweeping Tax Reform

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Trump Tax Plan: What it could mean for corporations, individuals and foreign income.

*by: **Michael Silvio**, CPA, Tax Director at Hall & Company, CPAs*

With the unexpected ascension of President-elect Donald Trump, all eyes are on Washington to see how the new Trump White House will respond to the most pressing issues in the United States.

Between immigration, national security and a new Supreme Court justice, there is no shortage of moves that require the nation's attention.

One of the most critical changes—the Trump tax plan agenda—likely won't come from the Oval Office at all.

It is coming from Capitol Hill—Speaker of the House Paul Ryan's office and the **House's Ways and Means Committee**, to be exact. There, the new Republican majority is working on what could be the **most sweeping tax reform legislation** since the start of the Reagan Revolution in 1981.

With one party in control of both houses of Congress as well as the Executive Branch of government, these new measures are expected to pass quickly.

Get ready for a generous corporate tax break

First, the good news. Depending on the deductions your business usually takes, you could be seeing a radical tax break starting in 2017.

The **corporate income tax rate** could fall to as low as 15 percent. Some think it won't go lower than 27 percent.

Any lower rate is better than the current rate, which is 35 percent. In the case of pass-through entities, it is as high as 39.6 percent. Some tax credits, such as the employer-provided day care, could be expanded, and the corporate alternative minimum tax **might be eliminated**.

Other credits and deductions could be reduced or eliminated, which could impact your overall tax situation.

BE PROACTIVE: Huddle with your CFO and CPAs as soon as you can—if you have not done so already—and get ready to make some changes.

Companies with interests overseas see changes as well. Foreign income is likely "deemed" to be repatriated and would be taxed at a rate of 10 or 15 percent. The idea is to trigger cash coming back into America from multi-national companies.

For domestic manufacturers, the possible removal of the **Section 199** Domestic Production Deduction would cut off relief that companies typically seek to the tune of a 9 percent deduction.

Manufacturers might have to choose between:

- full expensing of capital improvements, and
- the deductibility of interest paid on these capital items.

Individuals could see daring tax changes, too

With the new tax structure, individuals have plenty on the line as well. Possibly even more than businesses.

Trump Tax Plan for Individuals: The number of individual tax rate brackets will be reduced from seven to three, making things easier to calculate, if not better for your personal bottom line. It is likely that those rates will be: 33, 25 and 12 percent.

While not a flat tax, it would certainly be "flatter."

In another possible tax break, individuals could pay less tax on interest and dividend income, passive income and the sale of capital gains assets with the elimination of the **3.8 percent net investment income tax**. This would make it easier to sell an investment. It might also prompt people to sell equities and real estate at possibly lower prices, but massive deflation is not projected.

Additionally, the Trump Administration *could* eliminate the alternative minimum tax for individuals. Itemized deductions might cap out at $100,000 for single filers and $200,000 for married joint filers.

Plus, with the elimination of personal exemptions, the standard deduction could increase to $15,000 for single filers and $30,000 for those filing jointly.

Critical decisions for estate and gift taxes

Trump's administration might oversee a significant overhaul coming down the pike for estate and gift taxes.

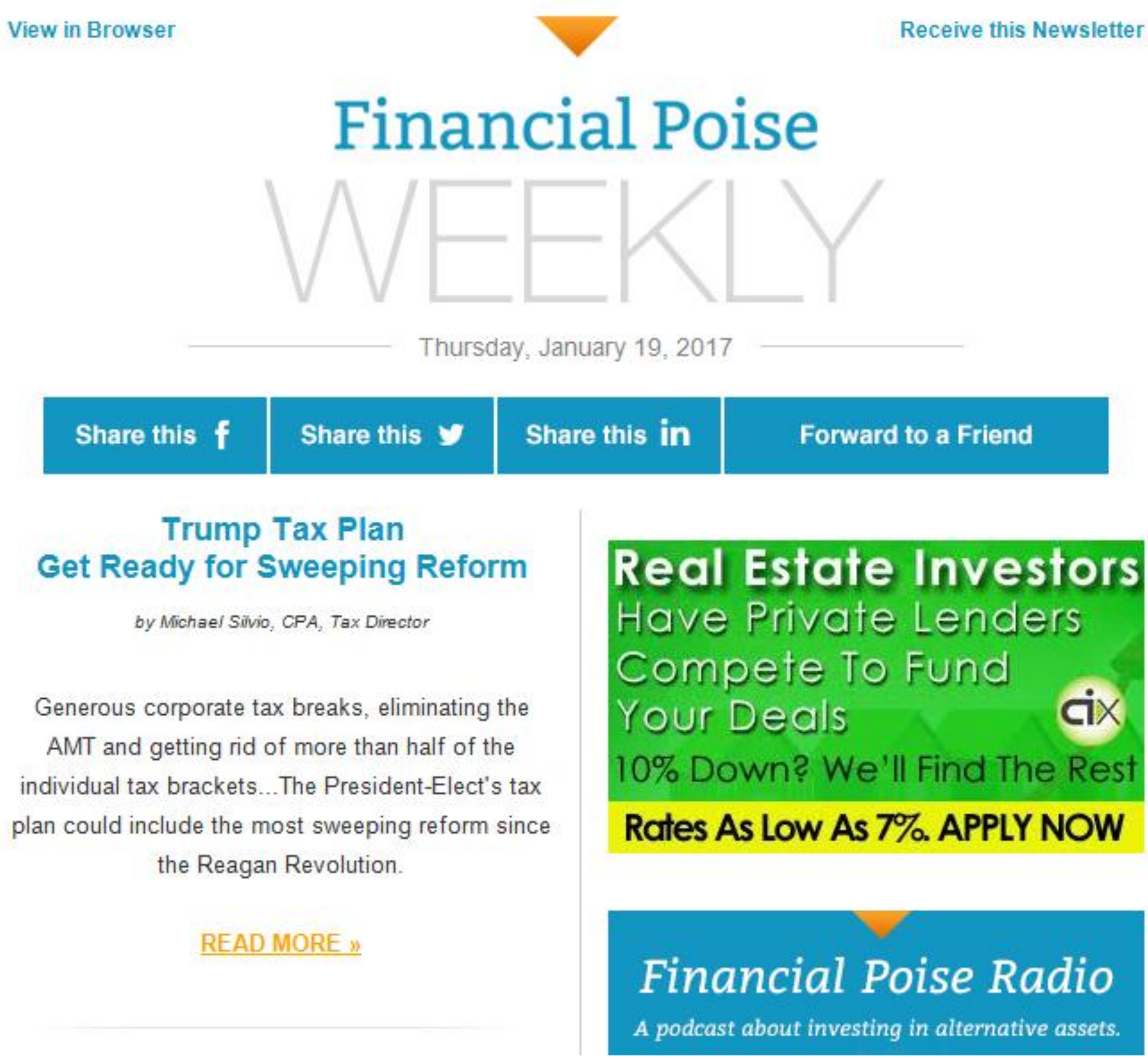
If Republicans get their way in 2017, the current federal estate and gift tax would go away, but no step-up in basis would be allowed for an estate worth more than $10 million. This particular repeal might not happen. Rather, the federal estate and gift tax rates could be reduced to 25-33 percent instead.

In short, there is much to track as our new leaders roll out their plans.

CONSULT YOUR CPA: Taxes will affect our lives and our businesses as much as any other issue out there. It is critical to consult with your CPA, so you do not get caught by surprise by any of these sweeping changes.

Author Biography

Michael Silvio*, CPA, is a Tax Director at Hall & Company. He has more than 25 years of experience in public accounting and tax and has served a variety of public and private businesses in the manufacturing, distribution, pharmaceutical and biotechnology sectors. He can be reached at ms@hallcpas.com. For more information, please visit www.hallcpas.com.*



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