



Effects of the “Tax Cut and Jobs Act”

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Armanino LLP webinar
Friday, March 24, 2017 11:00 AM Pacific Daylight Time

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About the Presenters



Dean Quiambao, CPA **Partner, Armanino LLP**

- 12+ years as an auditor in Armanino's audit department
- Transitioned to "Chief Relationship Builder"
- Helps numerous companies address their tax, audit and outsourced accounting needs
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Graduate of the University of California, Davis

About the Presenters



Gerry Clancy, CPA **Partner, Armanino LLP**

- 25 years of experience
- Specializes in taxation and business advisory services for individuals, families and businesses
- Works with clients in manufacturing, distribution, technology, retail, service and construction and real estate
- Experience: Deloitte, PwC
- Attended California Polytechnic State University

Presentation Overview



- Key Dates
- Affects of the Tax Cut And Jobs Act (TCJA) on:
 - Individuals & Families
 - Businesses
 - International
- Q&A



Key Dates

Key Dates



| | |
|------------------------|--|
| NOVEMBER 16 | House Approves Version of Tax Cuts and Jobs Act (TCJA) |
| DECEMBER 2 | Senate Approves Amended Version of TCJA |
| DECEMBER 15 | TCJA Conference Agreement |
| DECEMBER 20 | House & Senate Approved Agreement |
| DECEMBER 20 | House Re-Vote (Procedural Issue) |
| SOON THEREAFTER | Presidential Signature |

The Impact

What We Know Now

Individuals and Families



- **Lowers individual taxes** and sets rates at 0%, 10%, 12%, 22%, 24%, 32%, 35%, and 37%
- **Significantly increases the standard deduction** – from \$6,350 and \$12,700 under current law to \$12,000 and \$24,000 for individuals and married couples, respectively.
- **Continues to allow people to write off the cost of state and local taxes** – just like current law – up to \$10,000. Gives individuals and families the ability to choose among sales, income and property taxes to best fit their unique circumstances.
- **Expanding the Child Tax Credit** from \$1,000 to \$2,000 for single filers and married couples to help parents with the cost of raising children.
- **Preserving the Child and Dependent Care Tax Credit** to help families care for their children and older dependents such as a disabled grandparent.
- **Preserving the Adoption Tax Credit** so parents can continue to receive additional tax relief as they open their hearts and homes to an adopted child.

Individuals and Families



- **Preserves the mortgage interest deduction** – providing tax relief to current and aspiring homeowners.
 - For all homeowners with **existing mortgages** that were taken out to buy a home, there will be no change to the current mortgage interest deduction.
 - For homeowners with **new mortgages on a first or second home**, the home mortgage interest deduction will be available up to \$750,000.
- **Provides relief for expensive medical bills** by expanding the medical expense deduction for 2018 and 2019 for medical expenses exceeding 7.5% of AGI, and rising to 10% in 2020.
- **Continues and expands the deduction for charitable contributions** so people can continue to donate to their local church, charity or community organization.
- **Eliminates individual mandate penalty tax** – providing families with much-needed relief and flexibility to buy the health care that's right for them if they choose.

Individuals and Families



- **Maintains the Earned Income Tax Credit** to provide important tax relief for low-income Americans working to build better lives for themselves.
- **Improves savings vehicles for education** by allowing families to use 529 accounts to save for elementary, secondary and higher education.
- **Provides support for graduate students** by continuing to exempt the value of reduced tuition from taxes.
- **Retains popular retirement savings options** such as 401(k)s and Individual Retirement Accounts (IRAs).
- **Increases the exemption amount from the Alternative Minimum Tax (AMT)** for millions.
- **Provides immediate relief from the Death Tax** by doubling the amount of the current exemption to reduce uncertainty and costs for many family-owned farms and businesses when transitioned to the next generation.



- **Lowers the corporate tax rate to 21%** (beginning Jan. 1, 2018) – down from 35%, which today is the highest in the industrialized world – the largest reduction in the U.S. corporate tax rate in our nation’s history.
- **Passthroughs**
 - Offering a first-ever 20% tax deduction that applies to the first \$315,000 of joint income earned by all businesses organized as S corporations, partnerships, LLCs and sole proprietorships.
 - For businesses with income above this level, the bill generally provides a deduction for up to 20% on business profits – reducing their effective marginal tax rate to no more than 29.6%.
- **Allows businesses to immediately write off the full cost of new equipment** to improve operations and enhance the skills of their workers.
- **Protects the ability of small businesses to write off interest on loans**, helping entrepreneurs start or expand a business, hire workers and increase paychecks.



- Preserves elements of the existing business tax system, including:
 - **Retaining the low-income housing tax credit**
 - **Preserving the R&D Tax Credit**
 - **Retaining the tax-preferred status of private-activity bonds**
- **Eliminates the Corporate AMT**, thereby lowering taxes and eliminating confusion

Businesses: International



- The TCJA moves the US from a worldwide tax system to a participation exemption system by giving corporations a 100% dividends received deduction for dividends distributed by a controlled foreign corporation (CFC).
- To transition to the new system, the measure imposes a one-time deemed repatriation tax, payable over 8 years, on unremitted earnings and profits at a rate of 8% for the illiquid assets and 15.5% for the cash and cash equivalents.



CONTACT US

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