




Tax Code Update  
Affect on Family Law  
*Tax Cuts & Job Act of 2017*

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Lead Wealth Advisor


**LD Lowe Wealth Advisory**





Because of our limited time, please stop by and visit our sponsor table. Lauren & Taylor would be happy to answer your questions anytime throughout the day.

Or you can email me at  
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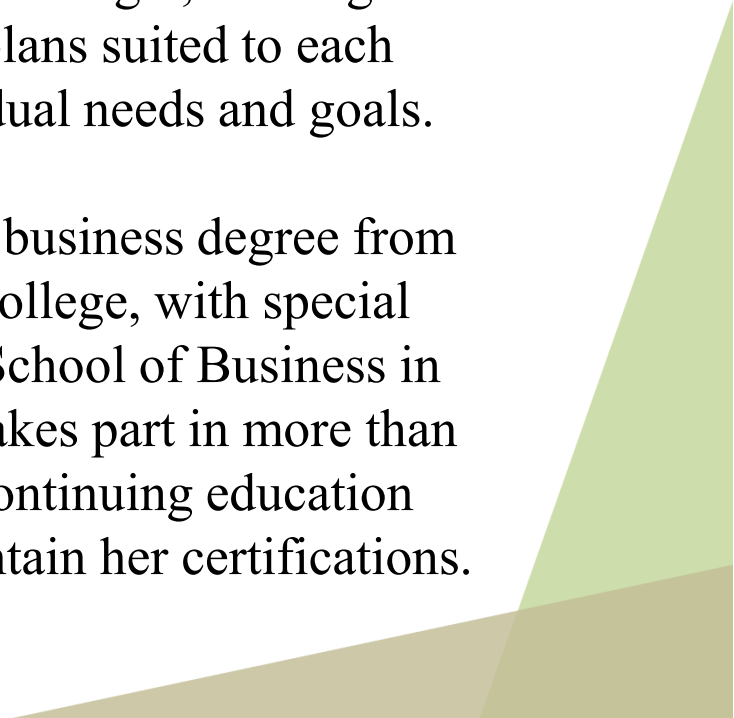
**Molly McCarthy,  
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Lead Wealth Advisor**

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Has more than 11 years of experience as a wealth manager, crafting investment plans suited to each client's individual needs and goals.

In addition to a business degree from Monmouth College, with special studies SGCI School of Business in Paris, France, takes part in more than 40 hours of continuing education annually to maintain her certifications.





# Three Key Changes That Affect Divorce



# #1 – Spousal Support

- **2019 and thereafter**
  - Payor can no longer deduct the payment of spousal support
  - Spouse receiving support does not need to claim as income

We believe this may reduce the amount of cash available to settle a case using spousal support.



## #2 – Itemized Deductions

- ***Eliminated:*** Deduction for legal fees paid to the attorney which are directly attributable to securing spousal support
- ***Eliminated:*** Deduction for tax preparation fees
- ***Reduced:*** Mortgage interest deduction available for mortgage amounts up to \$750,000 (previously up to \$1 million)

# Standard Deduction Changes

2017

## CURRENT STANDARD DEDUCTION

S	MFJ/QW	MFS	HOH
\$6,350	\$12,700	\$6,350	\$9,350

2018

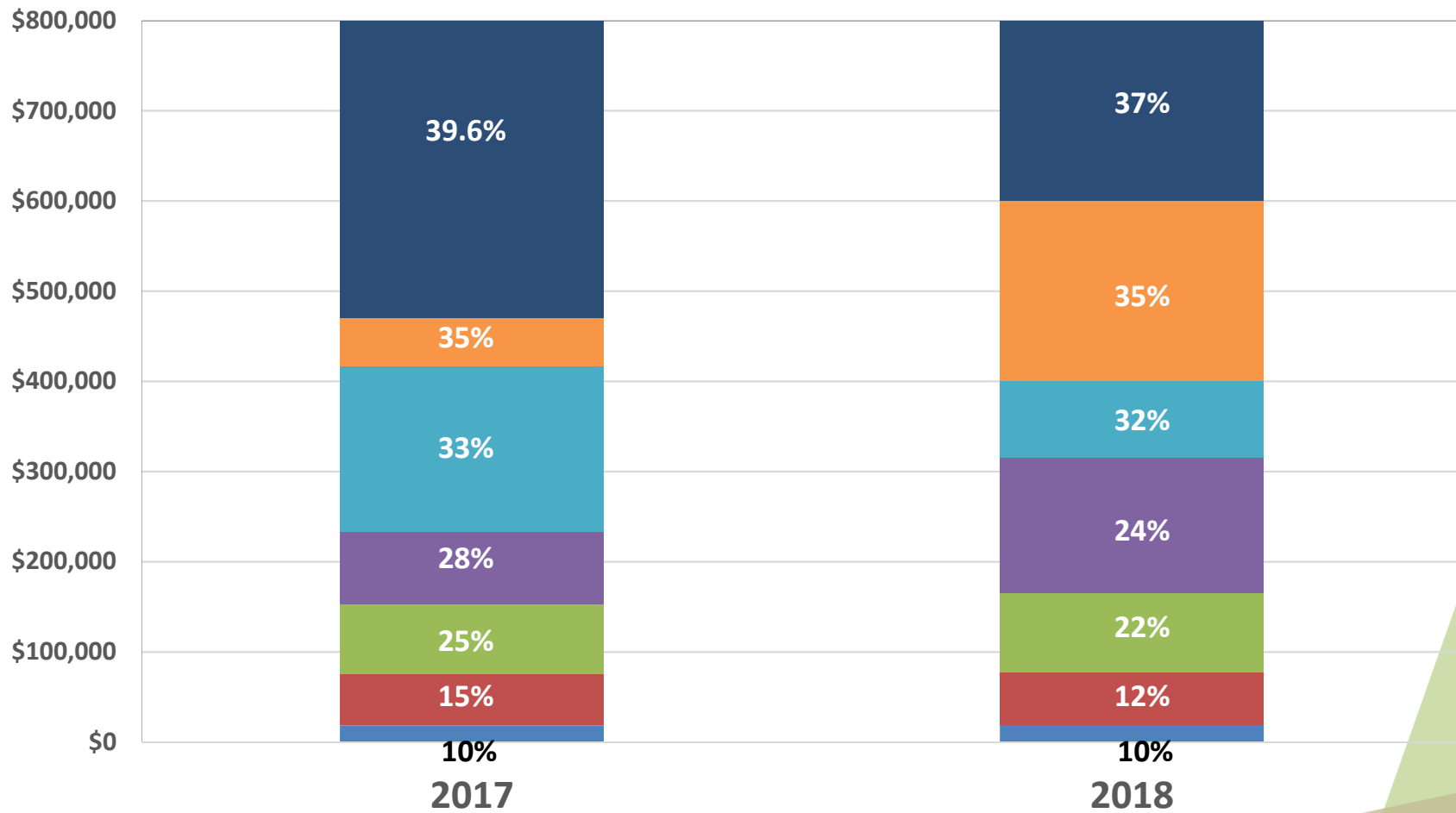
## NEW STANDARD DEDUCTION

S	MFJ/QW	MFS	HOH
\$12,000	\$24,000	\$12,000	\$18,000

(close to double)

# Individual Income Tax Rates

Percentage Tax by Income Level  
Married Filing Jointly






# #3 – Dependency Exemptions

- **Exemptions completely repealed at the end of 2017**





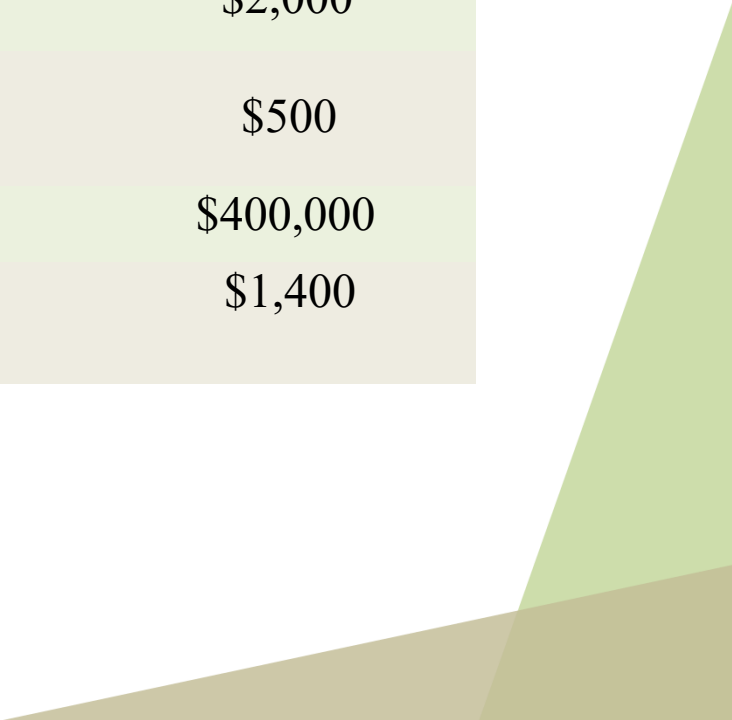
## #3 – Increased Child & Family Tax Credits

- **Credits after 2017**
  - Child tax credit has doubled - \$1,000 to \$2,000
  - Additional \$500 credit for non-child dependents
- **Income phase-out drastically increased after 2017**
  - \$110,000 to \$400,000 for joint filers
  - \$75,000 to \$200,000 for single filer



## Child & Family Tax Credits Summary

	2017	2018
<b>Credit for Children</b>	\$1,000	\$2,000
<b>Credit for Other Family Members</b>	\$0	\$500
<b>Phase-out Begins</b>	\$110,000	\$400,000
<b>Refundable Amount (credit for children only)</b>	\$1,000	\$1,400



# Education Provisions

Up to \$10,000 annually

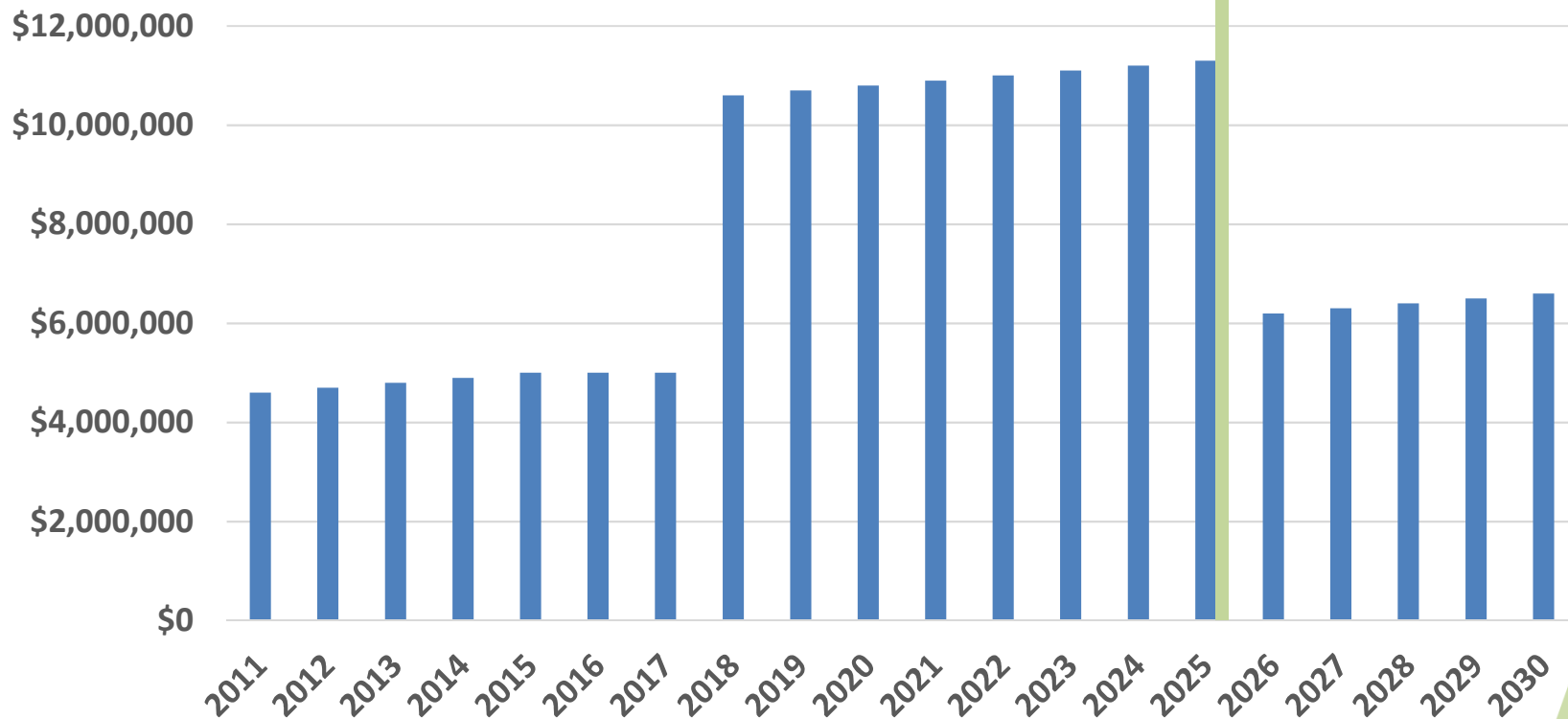
for “qualifying expenses” for elementary & high school

**Section 529 Changes  
Begin in 2018**

# Estate & GST Taxes

- **Basic Exclusion Amount and GST (*Generation Skipping Trust*) exemption doubles from \$5 million to \$10 million**

Sunsets Dec. 31, 2025



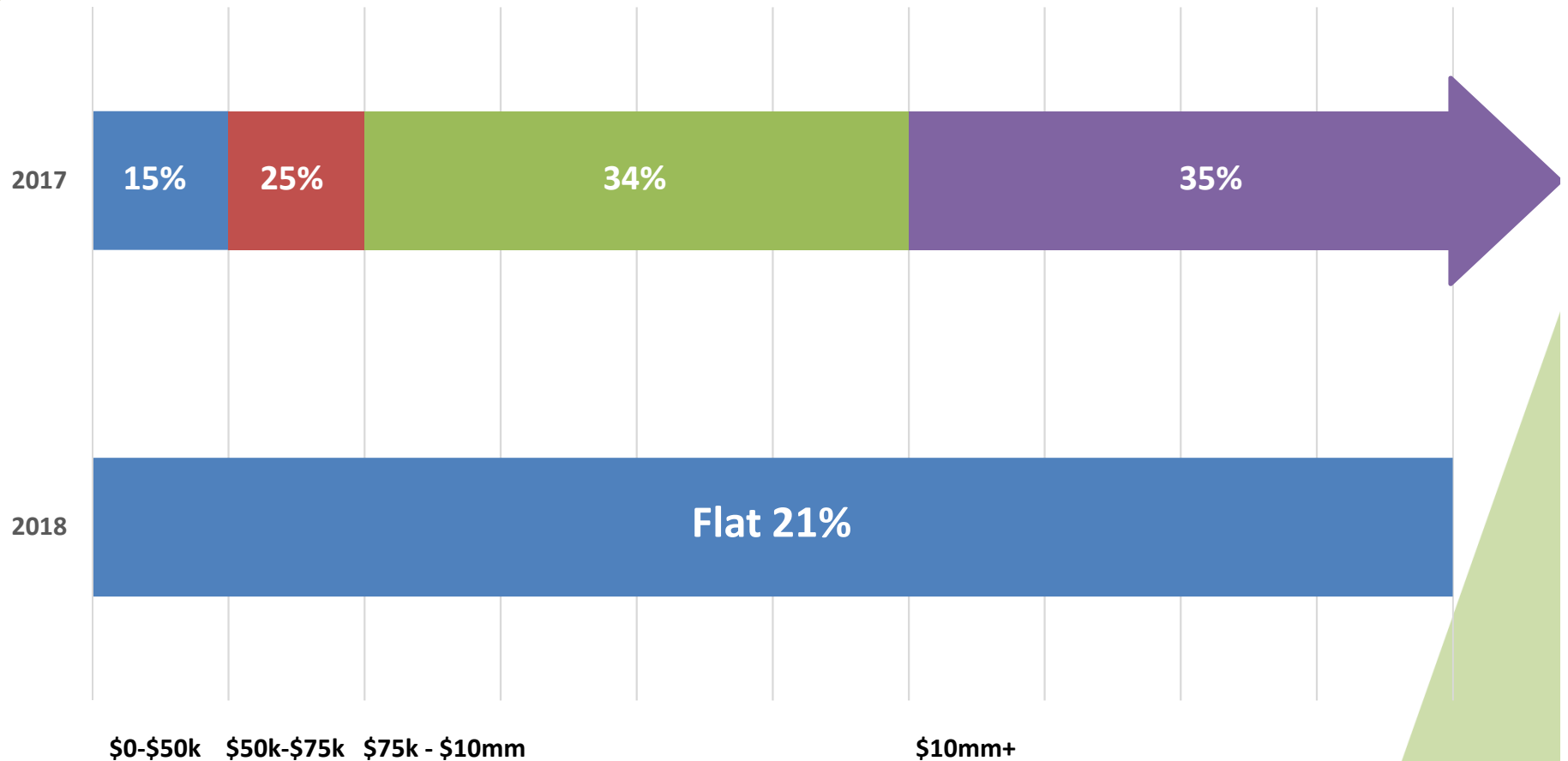


# Key Changes Affecting Your Business



# Corporate Tax Rates

## Percentage Tax by Taxable Income





# AMT Elimination

- Under the **prior law, the corporate alternative minimum tax (AMT) was imposed at a 20% rate**
  - However, corporations with average annual gross receipts of less than \$7.5 million for the preceding three tax years were exempt
- Beginning in 2018, the TCJA (*Tax Cuts & Jobs Act*) repeals the corporate AMT

*Great news!*





# Individual Mandate Repealed

Required Healthcare Coverage

**BUT...** It is still in place for this year



# Give & Take on Business Deductions

Increased depreciation  
for “luxury” business  
cars

No “entertainment”  
deductions





# 401(k) Loan Rollovers

- Previously loans from 401(k) plans had to be paid upon **termination of employment**
- A “qualified plan loan offset” amount for a terminated 401(k) loan is **eligible for rollover within 60 days**
  - Allows employee more time to repay the loan (directly into a rollover IRA) and to avoid the tax consequences of non-repayment



# Small Business Pass-Through

- Sole Proprietors, S-Corps, LLCs can **deduct 20% of business income**, beginning in 2018
  - For example, company makes \$100,000, the deduction tentatively equals \$20,000.
- For those with taxable income in excess of \$415,000 (MFJ), the deduction is limited to the greater of:
  - 50% of W-2 Wages
  - 25% of W-2 Wages plus 2.5% of unadjusted basis



# Limits for Law Firms

- Law businesses are considered a “Specified Service Business”
  - Any business involving the performance of services in the fields of health, law, accounting, consulting, financial services, etc. **If the success of your business depends on you and not on something that you sell.**
- If taxable income exceeds a threshold of \$157,500 for single filers and \$315,000 for joint filers, the deduction is reduced pro-rata under the “phase-in rule.”
- **Above these upper thresholds, you get no deduction—period.**

# 1031 Like-Kind Exchanges

- The bill proposes to limit like-kind exchanges to real property
- However, the bill would allow transactions open at the end of 2017 to be completed tax-free





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