TAX REFORM

WHAT YOU NEED TO KNOW
FOR THE 2018 FILING SEASON

PRESENTED BY:
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Bumpers & Company, Certified Public Accountants

BUMPERS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

PRESENTER: DOUGLAS S. KOOK, CPA, CVA

Douglas S. Kook, CPA, CVA is the Managing Partner of Bumpers & Company, and has been with the firm since 1999. Following his graduation from the University of Delaware with a Bachelors of Science in Accounting, he obtained his CPA, and later his CVA. Doug is currently a member of the AICPA, DSCPA and NACVA.

As a professional, the primary motivation for Doug is the success of his clients. He got into the Public Accounting field in order to help people achieve their goals, and he loves nothing more than being able to make an impact on a client's bottom line and overall financial situation. Doug is a tax and business valuation expert, and has extensive experience in the small business and medical practice accounting and consulting fields. His focus on quality, accuracy, compliance and client service, paired with his honesty, integrity and drive to find solutions to even the most challenging problems, make him an ideal leader for the firm and a trusted advisor for our clients.

Originally from Ohio, Doug's family relocated to Hockessin, Delaware when he was seven. Doug currently serves as the President of the Delaware State Chapter of the NACVA, board member of the Delaware Society of CPA's , Treasurer of the Wilmington West Rotary Club, Wilmington West Rotary Foundation and the Wilmington Delaware Area Rotary Clubs Community Fund (Can Do Playground). Doug also partners with Widener University as an Accounting and Finance Curriculum Board Member and the Phillies Strike Out for Hunger event as a District Representative.

199A PASSTHROUGH DEDUCTION

- Code section 199A allows for a tax deduction of 20% on qualified business income (QBI) .
  - The 199A deduction will affect individuals, partnerships, S Corporations, trusts and estates engaged in domestic trades or businesses.
  - Limitations apply if you are a Specified Service Trade or Business (SSTB).

!! CAUTION !!

MAKE SURE YOUR SOFTWARE CALCULATES QBI PROPERLY!

199A PASSTHROUGH DEDUCTION CALCULATION (NON SSTB)

20% x Qualified Business Income (QBI)

$157,500 for single or $315,000 for married filing joint of taxable income

Phase in of Limitation

$207,500 for single or $415,000 for married filing joint of taxable income

20% x Qualified Business Income (QBI)

Limited to the Greater of:

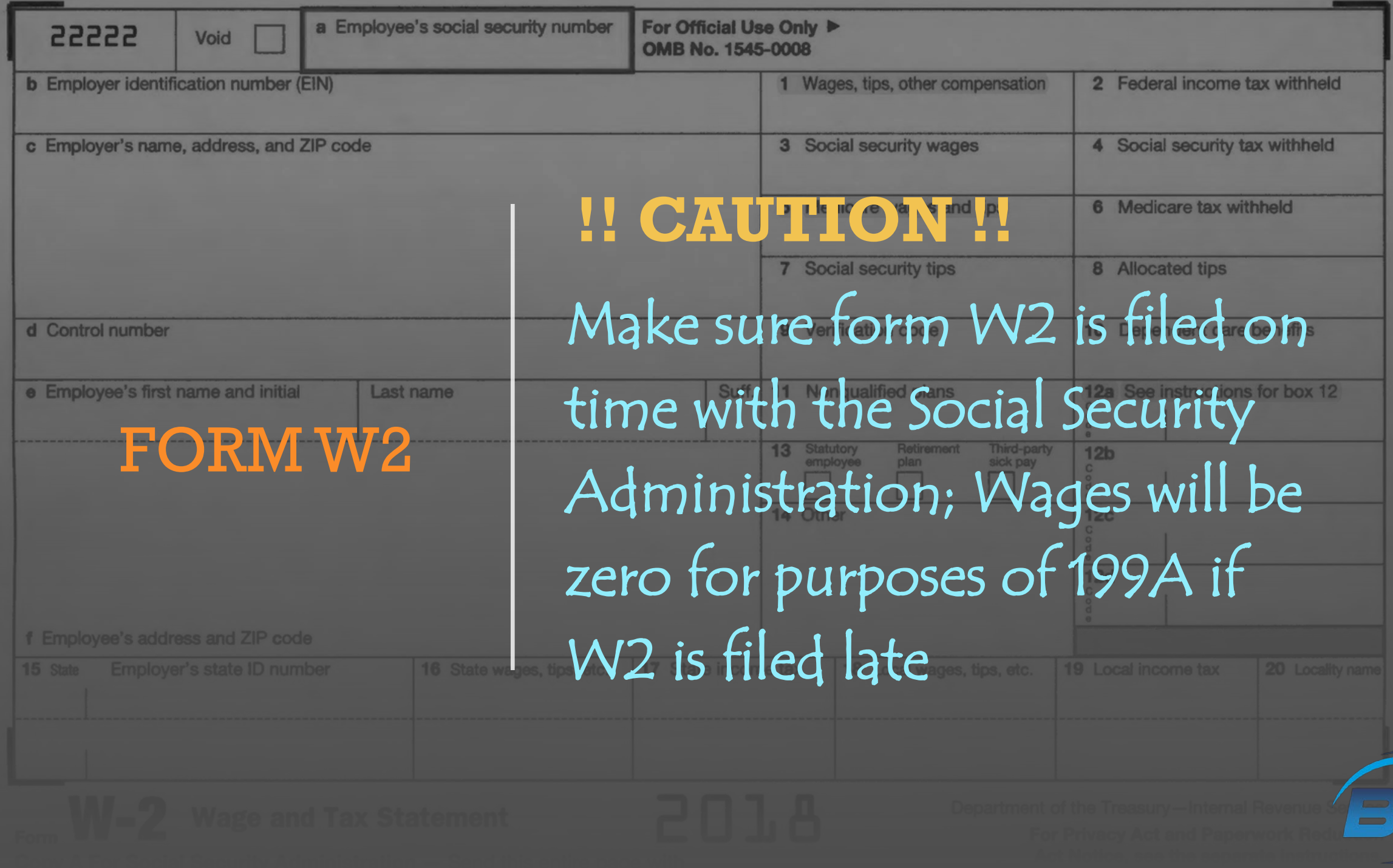
50% of W2 Wages

or

Sum of 25% of W2 Wages plus 2.5% UBIA

199A PASSTHROUGH DEDUCTION W2 WAGE CALCULATION

- 3 Methods to Calculate Qualifying W2 Wages:
  - Unmodified Box Method: Take the lesser of 1) box 1 on form W2 or 2) box 5 on form W2.
  - Modified Box 1 Method: Take the total of box 1 and subtract wages not subject to federal income tax withholding and add amounts from box 12 with codes D,E,F,G and S.
  - Tracking Wages Method: Take the total amount of wages subject to federal income tax withholding and reported on Form W2, plus amounts in box 12 ,with codes D, E, F, G and S.
- W2 Wages paid from the qualified trade of business to employees directly related to QBI
- W2 Wages are taken from Form W2
- Method 3 must be used for short taxable years and fiscal years



FORM W2

!! CAUTION !!

Make sure form W2 is filed on time with the Social Security Administration; Wages will be zero for purposes of 199A if W2 is filed late

!! CAUTION !!

MAKE SURE YOUR SOFTWARE CALCULATES W2 WAGES PROPERLY

UNADJUSTED BASIS IMMEDIATELY AFTER ACQUISITION (UBIA)

- **Qualified Property:** Tangible property that is depreciable and held by a trade or business at the close of the taxable year – used for the production of QBI

- **Depreciable Period:** The period beginning on the date the property is first placed in service by the taxpayer and ending on the later of: 1) The date 10 years after that date , or 2) The last day of the last full year in the applicable recovery period that would apply

UBIA

- CHANGES WITH THE FINAL REGULATIONS
  - UBIA of qualified like-kind property that a taxpayer receives in a 1031 exchange is the UBIA of the relinquished property. The depreciable period starts with the original purchase date, not the conversion date.
  - 754 Basis Adjustments now qualify as UBIA – originally they did not qualify under the proposed regulations.

!! CAUTION !!

MAKE SURE YOUR SOFTWARE CALCULATES UBIA PROPERLY

HEALTH

LAW

ACCOUNTING

ACTUARIAL SCIENCE

PERFORMING ARTS

FINANCIAL SERVICES

BROKERAGE SERVICES

CONSULTING

ATHLETICS

Specified Service Trade or Business: Any trade of business where the principal asset of such trade or business is the skill of one or more of its employees or owners

SSTB

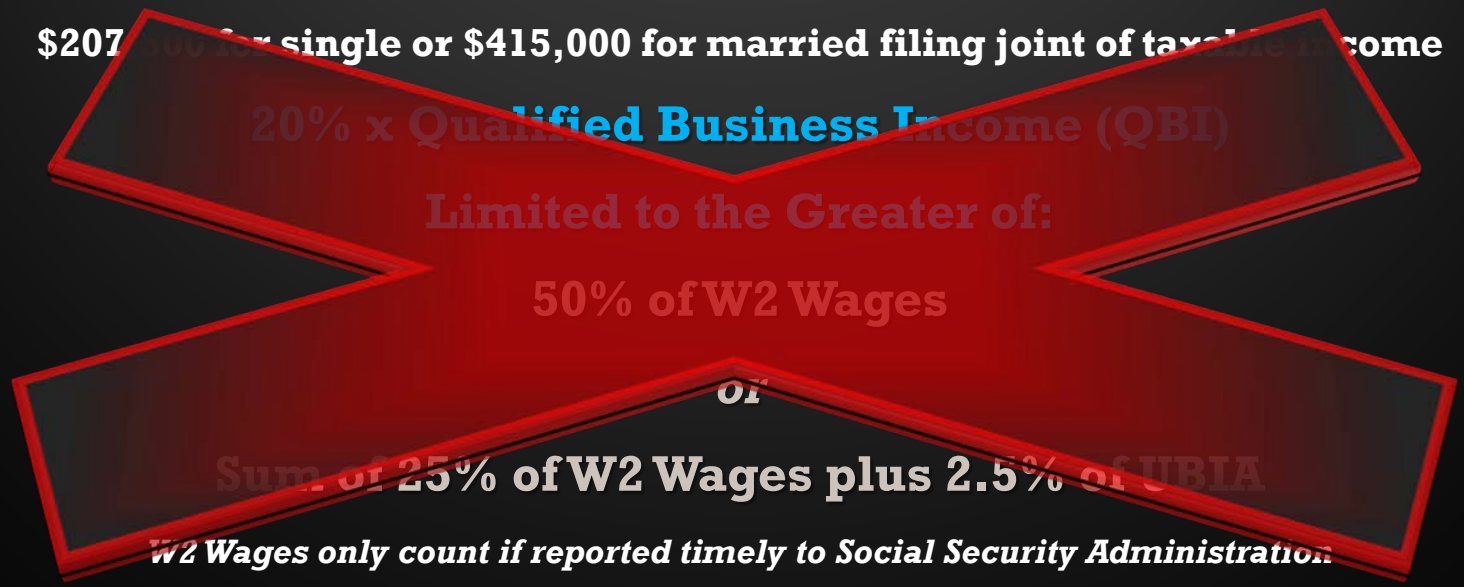
199A PASSTHROUGH DEDUCTION CALCULATION SSTB

20% x Qualified Business Income (QBI)

$157,500 for single or $315,000 for married filing joint of taxable income

Phase in of Limitation

$207,500 for single or $415,000 for married filing joint of taxable income



W2 Wages only count if reported timely to Social Security Administration

OTHER NOTEWORTHY DETAILS REGARDING 199A

Fiscal years ending in 2018 in wages may take 199A deduction on the entire QBI for the fiscal year. W2 would be taken from 2017.

If Partners in a Partnership leave mid-year, then you allocate UBIA based on depreciation allocated to the Partner.

If a Shareholder in an S Corporation leaves mid-year, then you allocate UBIA based on % of ownership at year end.

W2 wages and UBIA not reported by a trade or business is presumed to be zero.

199A PASSTHROUGH DEDUCTION RENTAL REAL ESTATE ACTIVITIES

IS RENTAL REAL ESTATE A TRADE OR BUSINESS?

FACTORS TO CONSIDER:

- Type of Property Rented: Commercial v. Residential
- Number of Properties Rented
- The Owners or Agents' Day-to-Day Involvement
- The Types and Significance of any Ancillary Services Provided Under the Lease
- The Terms of the Lease: Triple Net Lease v. Traditional Lease *or* Short-Term Lease v. Long-Term Lease

199A PASSTHROUGH DEDUCTION
RENTAL REAL ESTATE ACTIVITIES

IS RENTAL REAL ESTATE A TRADE OR BUSINESS?

SPECIAL RULES FOR COMMON OWNERSHIP: If 50% of more of the real estate and business are commonly controlled, then the real estate qualifies as a trade or business as long as the business qualifies as a trade or business – this only applies to individuals and relative passthrough entities.

RULE DOES NOT QUALIFY FOR C CORPORATIONS

SAFE HARBOR RULES FOR ALL OTHER REAL ESTATE

199A PASSTHROUGH DEDUCTION RENTAL REAL ESTATE ACTIVITIES SAFE HARBOR RULES

- Separate books and records are maintained
- 250 or more hours of rental services are performed per year - *For tax years after 12/31/22, in any 3 of the 5 consecutive years, 250 or more hours of rental services are performed per year*
- Taxpayer maintains contemporaneous records, including time reports, logs or similar documents outlining:
  - 1) Hours of all services performed
  - 2) Description of all services performed
  - 3) Dates on which services were performed
  - 4) Who performed the services. Records not required for 2018

199A PASSTHROUGH DEDUCTION
RENTAL REAL ESTATE ACTIVITIES
SAFE HARBOR RULES

Real Estate used by a taxpayer as a residence for any part of the year is not eligible for safe harbor

Real Estate rented of leased under a triple net lease is not eligible for safe harbor

Safe Harbor Statement must be signed and attached to the tax return

"UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE EXAMINED THE STATEMENT, AND, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE STATEMENT CONTAINS ALL THE RELEVANT FACTS RELATING TO THE REVENUE PROCEDURE, AND SUCH FACTS ARE TRUE, CORRECT AND COMPLETE"

199A PASSTHROUGH DEDUCTION RENTAL REAL ESTATE ACTIVITIES

FAILURE TO SATISFY THE REQUIREMENTS OF THE SAFE HARBOR TEST DOES NOT PRECLUDE A TAXPAYER FROM OTHERWISE ESTABLISHING THAT A RENTAL REAL ESTATE ENTERPRISE IS A TRADE OR BUSINESS FOR PURPOSES OF SECTION 199A.

AGGREGATION RULES FOR 199A

The businesses provide products, property and service that are the same or customarily provided together

The businesses share facilities or significant centralized business elements (for example: common personnel, accounting, legal, HR, IT…)

The businesses are operated in coordination with or reliance on other businesses in aggregated group

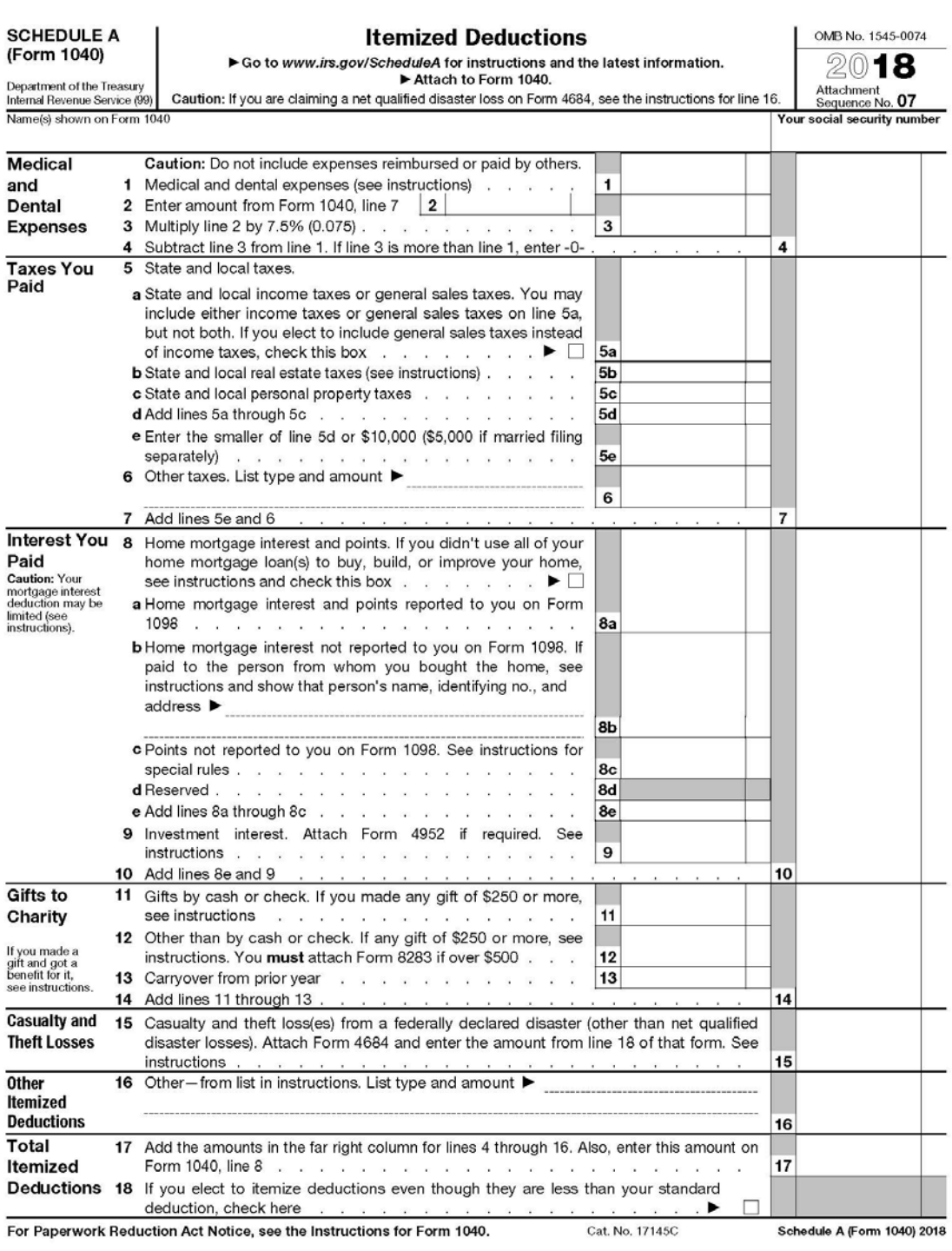
2018 OPTION ONLY

FOR 2018 ONLY, THE INTERNAL REVENUE SERVICE IS ALLOWING TAXPAYERS TO RELY ON THE PROPOSED REGULATIONS *OR* FINAL REGULATIONS WHEN IT COME TO THE 199A PASSTHROUGH DEDUCTION

STANDARD DEDUCTION & PERSONAL EXEMPTION

2017	
Single: $6,350	Head of Household: $9,350
Married Filing Jointly: $12,700	Personal Exemption: $4,350 per exemption

2018	
Single: $12,000	**Head of Household: $18,000**
Married Filing Jointly: $24,000	**Personal Exemption: $0**



SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

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. 1545-0074

2018

Attachment Sequence No. 07

Name(s) shown on Form 1040

Your social security number

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 7	2	
	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	5	State and local taxes.		
	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 ▶ ☐	5a	
	b	State and local real estate taxes (see instructions)	5b	
	c	State and local personal property taxes	5c	
	d	Add lines 5a through 5c	5d	
	e	Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately)	5e	
	6	Other taxes. List type and amount ▶	6	
	7	Add lines 5e and 6		7
Interest You Paid	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 ▶ ☐		
Caution: Your mortgage interest deduction may be limited (see instructions).	a	Home mortgage interest and points reported to you on Form 1098	8a	
	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 ▶	8b	
	c	Points not reported to you on Form 1098. See instructions for special rules	8c	
	d	Reserved	8d	
	e	Add lines 8a through 8c	8e	
	9	Investment interest. Attach Form 4952 if required. See instructions	9	
	10	Add lines 8e and 9		10
Gifts to Charity	11	Gifts by cash or check. If you made any gift of $250 or more, see instructions	11	
If you made a gift and got a benefit for it, see instructions.	12	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	12	
	13	Carryover from prior year	13	
	14	Add lines 11 through 13		14
Casualty and Theft Losses	15	Casualty and theft loss(es) 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		15
Other Itemized Deductions	16	Other—from list in instructions. List type and amount ▶		16
Total Itemized Deductions	17	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8		17
	18	If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ ☐		

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. Cat. No. 17145C Schedule A (Form 1040) 2018

CHANGES TO SCHEDULE A

- MEDICAL EXPENSES STILL SUBJECT TO 7.5% OF AGI - *INCREASES TO 10% AFTER 2018*
- TAXES PAID LIMITED TO $10,000
- MORTGAGE LIMITED TO $750,000 OF INDEBTEDNESS
- ELIMINATION OF HOME EQUITY INTEREST - *UNLESS USED TO BUILD OR IMPROVE YOUR HOME*
- CONTRIBUTIONS LIMITED TO 60% OF AGI - *INCREASED FROM 50%*
- NO MORE MISCELLANEOUS ITEMIZED DEDUCTIONS

WHAT TO DO ABOUT NON-DEDUCTIBLE INTEREST EXPENSE?

1

Consider converting property into a rental to deduct the interest

2

Liquidate investments to pay off loan, then borrow money to purchase the investments back as a deductible interest expense

CAUTION: This could result in significant capital gains and other tax implications!

01

TAX PREPARATION FEES: Do you have a rental property or business that can pay for them?

02

UNREIMBURSED BUSINESS EXPENSES: Talk to your employer about getting reimbursed for them, or become an independent contractor and start you own business *(this will not qualify you for 199A deductions, but if you can deduct expenses, it may be beneficial).*

03

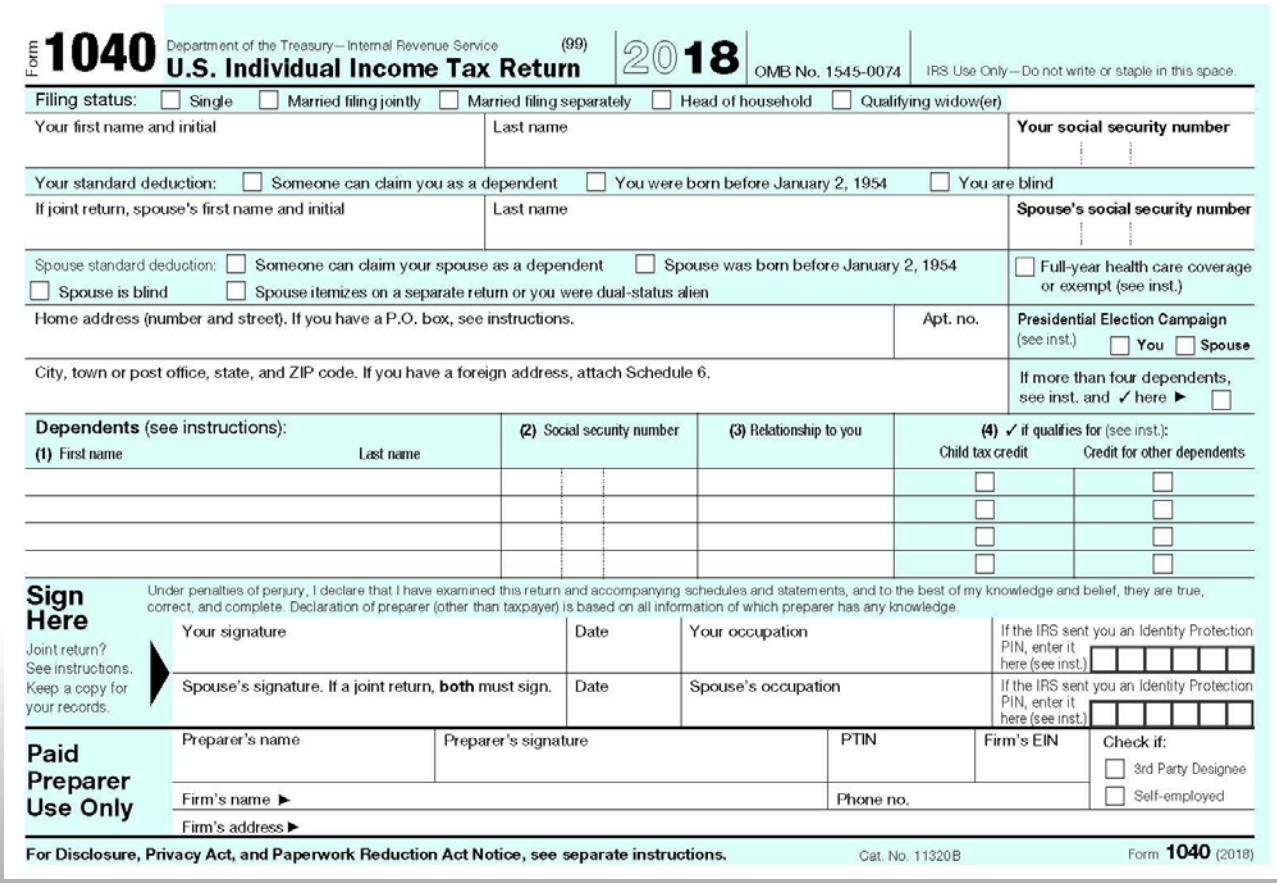
IRA INVESTMENT FEES: You may need to revert back to having the IRA pay for them.

MISCELLANEOUS ITEMIZED DEDUCTIONS NO LONGER DEDUCTIBLE

"I CAN DEDUCT MY WORK CLOTHING FOR MY BUSINESS... RIGHT?"

- Clothing is deductible if it is "ordinary and necessary" (*usually done for safety or recognition reasons*)
  - Protective Clothing includes:
    - Hard hats
    - Safety Gloves
    - Safety Boots, etc…
- Uniforms are deductible if required by the employer – *AND* the uniform is not appropriate for everyday use.
- "Professional Attire", such as a business suit, is not deductible

Is there another way to make clothing deductible?



Form **1040** Department of the Treasury—Internal Revenue Service (99) **U.S. Individual Income Tax Return** 2018 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

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 ☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

☐ Full-year health care coverage or exempt (see inst.)

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Presidential Election Campaign (see inst.) ☐ You ☐ Spouse

City, 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):

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Sign Here

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.

Joint return? See instructions. Keep a copy for your records.

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.)

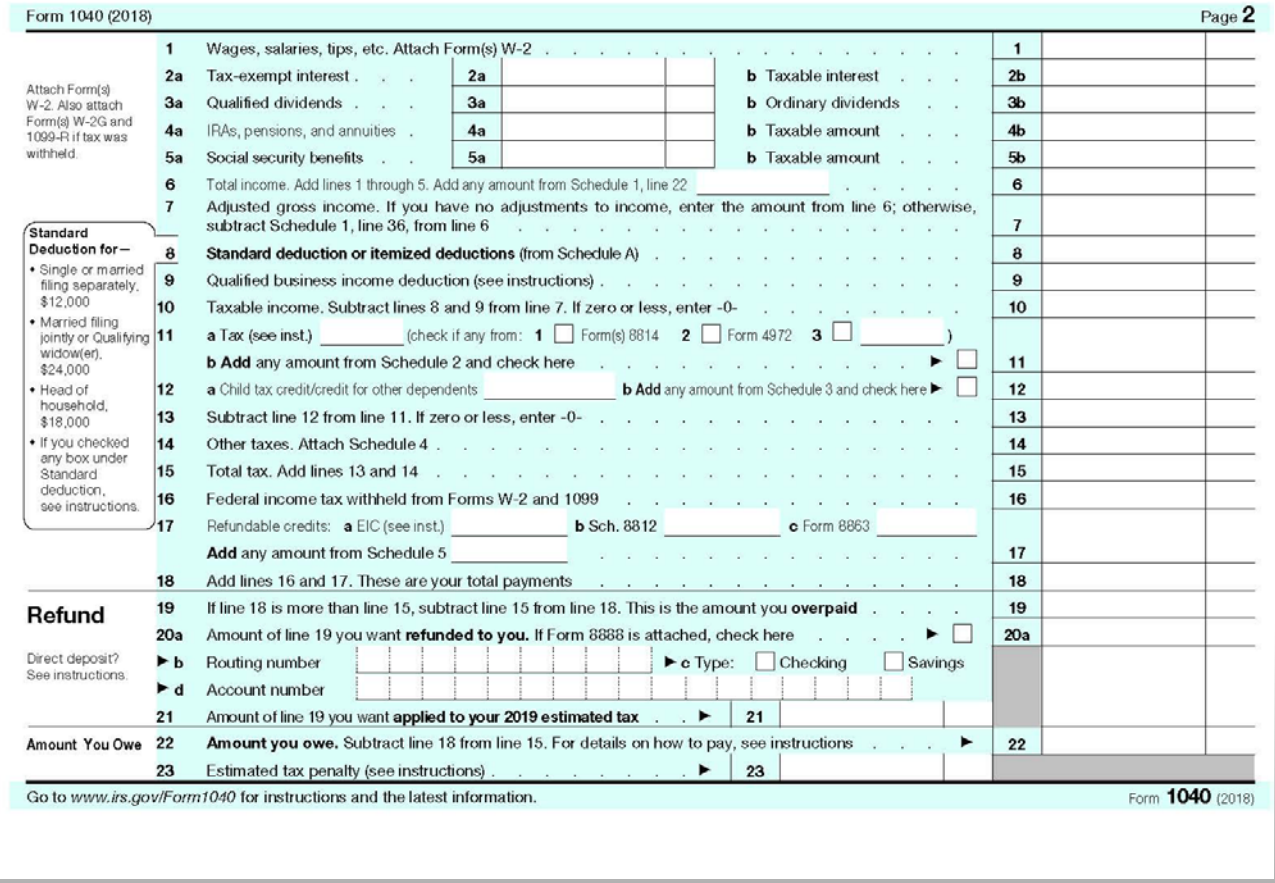
Paid Preparer Use Only

Preparer's name | Preparer's signature | PTIN | Firm's EIN | Check if: ☐ 3rd Party Designee ☐ Self-employed

Firm's name ▶ | Phone no.

Firm's address ▶

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2018)



Form 1040 (2018) Page **2**

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

1	Wages, salaries, tips, etc. Attach Form(s) W-2				1	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRAs, pensions, and annuities	4a		b Taxable amount	4b	
5a	Social security benefits	5a		b Taxable amount	5b	
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 ☐ Form(s) 8814 2 ☐ Form 4972 3 ☐ _____) b **Add** any amount from Schedule 2 and check here ▶ ☐				11	
12	a Child tax credit/credit for other dependents _____ b **Add** any amount from Schedule 3 and check here ▶ ☐				12	
13	Subtract line 12 from line 11. If zero or less, enter -0-				13	
14	Other taxes. Attach Schedule 4				14	
15	Total tax. Add lines 13 and 14				15	
16	Federal income tax withheld from Forms W-2 and 1099				16	
17	Refundable credits: a EIC (see inst.) _____ b Sch. 8812 _____ c Form 8863 _____ **Add** any amount from Schedule 5 _____				17	
18	Add lines 16 and 17. These are your total payments				18	
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid**				19	
20a	Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐				20a	
▶ b	Routing number ▶ c Type: ☐ Checking ☐ Savings					
▶ d	Account number					
21	Amount of line 19 you want **applied to your 2019 estimated tax** ▶		21			
22	**Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions ▶				22	
23	Estimated tax penalty (see instructions) ▶		23			

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.

Refund

Direct deposit? See instructions.

Amount You Owe

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2018)

THE NEW 1040

6 NEW SCHEDULES

SCHEDULE 1:

ADDITIONAL INCOME & ADJUSTMENTS TO INCOME

SCHEDULE 2:

TAX

SCHEDULE 3:

NONREFUNDABLE CREDITS

SCHEDULE 4:

OTHER TAXES

SCHEDULE 5:

OTHER PAYMENTS AND REFUNDABLE CREDITS

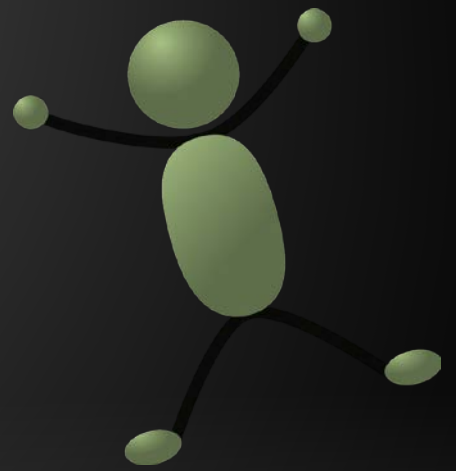
SCHEDULE 6:

FOREIGN ADDRESS AND THIRD PARTY DESIGNEE

INDIVIDUAL INCOME TAX BRACKETS

Single Individuals - 2017

Not over $9,325	10% of taxable income
Over $9,325, but not over $37,950	$932.50 plus 15% of the excess over $9,325
Over $37,950, but not over $91,900	$5,226.25 plus 25% of the excess over $37,950
Over $91,900, but not over $191,650	$18,713.75 plus 28% of the excess over $91,900
Over $191,650, but not over $416,700	$46,643.75 plus 33% of the excess over $191,650
Over $416,700, but not over $418,400	$120,910.25 plus 35% of the excess over $416,700
Over $418,400	$121,505.25 plus 39.6% of the excess over $418,400



Single Individuals - 2018

Not over $9,525	10% of taxable income
Over $9,525, but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700, but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500, but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500, but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000, but not over $500,000	$45,689.50 plus 35% of the excess over $200,000
Over $500,000	$150,689.50 plus 37% of the excess over $500,000

INDIVIDUAL INCOME TAX BRACKETS

Married Individuals Filing Joint Returns - 2017

Not over $18,650	10% of taxable income
Over $18,650, but not over $75,900	$1,865 plus 15% of the excess over $18,650
Over $75,900, but not over $153,100	$10,452.50 plus 25% of the excess over $75,900
Over $153,100, but not over $233,350	$29,752.50 plus 28% of the excess over $153,100
Over $233,350, but not over $416,700	$52,222.50 plus 33% of the excess over $233,350
Over $416,700, but not over $470,700	$112,728 plus 35% of the excess over $416,700
Over $470,700	$131,628 plus 39.6% of the excess over $470,700

Married Individuals Filing Joint Returns - 2018

Not over $19,050	10% of taxable income
Over $19,050, but not over $77,400	$1,905 plus 12% of the excess over $19,050
Over $77,400, but not over $165,000	$8,907 plus 22% of the excess over $77,400
Over $165,000, but not over $315,000	$28,179 plus 24% of the excess over $165,000
Over $315,000, but not over $400,000	$64,179 plus 32% of the excess over $315,000
Over $400,000, but not over $600,000	$91,379 plus 35% of the excess over $400,000
Over $600,000	$161,379 plus 37% of the excess over $600,000

SO I SHOULD GET A REFUND FOR 2018...RIGHT?

MAYBE ?

The IRS has admitted that the 2018 withholding tables were not accurate, and that as a result, many people were under-withheld. There will also be some taxpayers who see an increase in their overall tax liability due to some of the tax law changes.

Due to the under-withholding and subsequent underpayment penalty concerns, the IRS has changed the calculation to eliminate underpayment penalty for taxpayers that have paid 85% of their 2018 tax liability.

CHILD TAX CREDIT

Increases from $1,000 per qualified child to $2,000 per qualified child with up to $1,400 being refundable per qualified child

Credit phases out for taxpayers with over AGI of $200,000 ($400,000 if married filing jointly)

Must have a valid social security number issued before the due date of the tax return to qualify for the credit

ABOVE THE LINE DEDUCTIONS

- **Teacher Deduction:** Remains in place at up to $250 of allowable expenses
- **Moving Expense Deduction:** Eliminated, except for those in Armed Forces
- **Alimony:** For divorce agreements entered into after December 31, 2018 or existing agreements modified after that date - will no longer be deductible to the payor and would not be income to the recipient
- **Tuition Deduction:** Expired 12/31/17
- **Student Loan Interest:** Remains in place - up to $2,500 deduction for interest paid on post secondary education loans

OTHER NOTEWORTHY ITEMS FOR INDIVIDUAL TAXPAYERS

- **AMT Tax still in play with increased thresholds**
  - *Less people falling into AMT due to no longer itemizing deductions?*
- **Education credits**
  - American opportunity credit remains intact: Up to a $2,500 credit for post secondary education per year, per student for up to 4 years, with 40% of credit being refundable
  - Lifetime learning credit remains intact: Up to a $2,000 credit per family for post secondary education, and is phased out at $56,000 for single taxpayers and $112,000 for married filing joint taxpayers
- **529 Plans**
  - Modified to allow tax-free distributions of up to $10K per year for grammar and high school education tuition and expenses
  - Also changes the definition of higher education expenses to include certain expenses incurred in connection with homeschool
- **Home gain exclusion:** *No change*
  - Still have up to $250,000 for single taxpayers and $500,00 for married filing joint taxpayers of gain exclusion, if you have lived in the principle residence 2 out of the past 5 years

C CORPORATION TAX RATES: 2017

Not over $50,000	15% of taxable income
Over $50,000, but not over $75,000	$7,500 plus 25% of the excess over $50,000
Over $75,000, but not over $100,000	$13,750 plus 34% of the excess over $75,000
Over $100,000, but not over $335,000	$22,250 plus 39% of the excess over $100,000
Over $335,000, but not over $10,000,000	$113,900 plus 34% of the excess over $335,000
Over $10,000,000, but not over $15,000,000	$3,400,000 plus 35% of the excess over $10,000,000
Over $15,000,000, but not over $18,333,333	$5,150,000 plus 38% of the excess over $15,000,000
Over $18,333,333	$6,416,666 plus 35% of the excess over $18,333,333

Personal service corporation tax rate – flat 35%
Corporate Alternative Minimum Tax (AMT)

C CORPORATION TAX RATES: 2018

LOSS LIMITATION FOR TAXPAYERS OTHER THAN CORPORATIONS

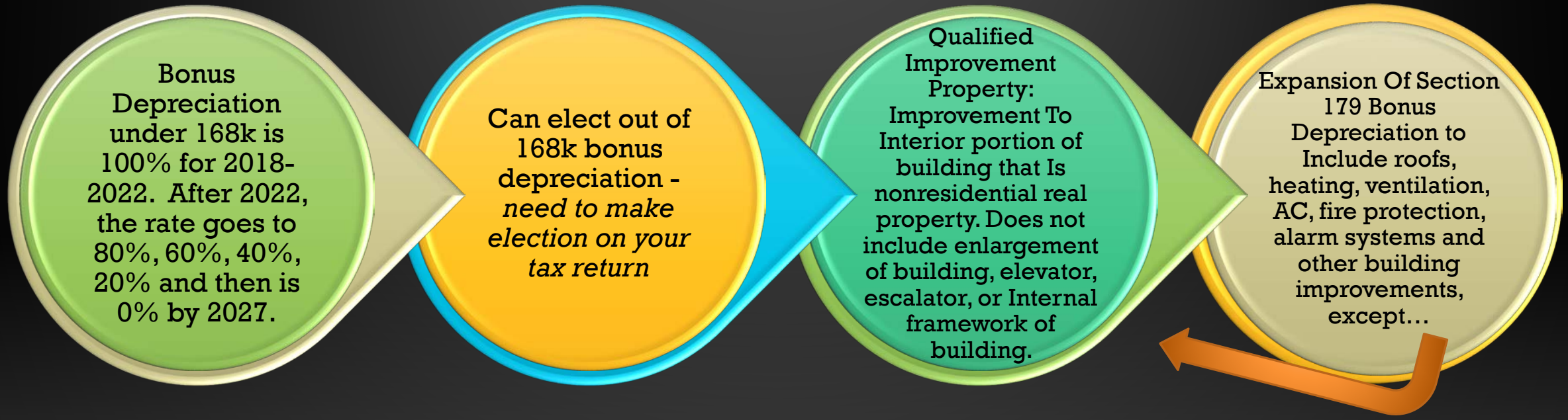
Excess business losses of a taxpayer other than a corporation are not allowed in the taxable year. Such losses are carried forward and treated as part of the taxpayer's net operating loss (NOL) carryforward in subsequent taxable years.

Excess business loss for the taxable year is the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer *(determined without regard to the limitation of the provision)*, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount.

The threshold amount is $250,000 *(or twice the otherwise applicable threshold amount in the case of a joint return)*.

Loss Carrybacks are eliminated.

BONUS DEPRECIATION



Not eligible For Bonus Depreciation under 168k – *IRS error?*

BUSINESS EXPENSES

Entertainment Expenses:

No longer deductible

Domestic Production Activity Credit:

Repealed

Employee Awards Deduction:

Still in Play: cash, gift certificates, vacations, stock, sporting tickets, etc…

Items must be includable as W2 income for the employee

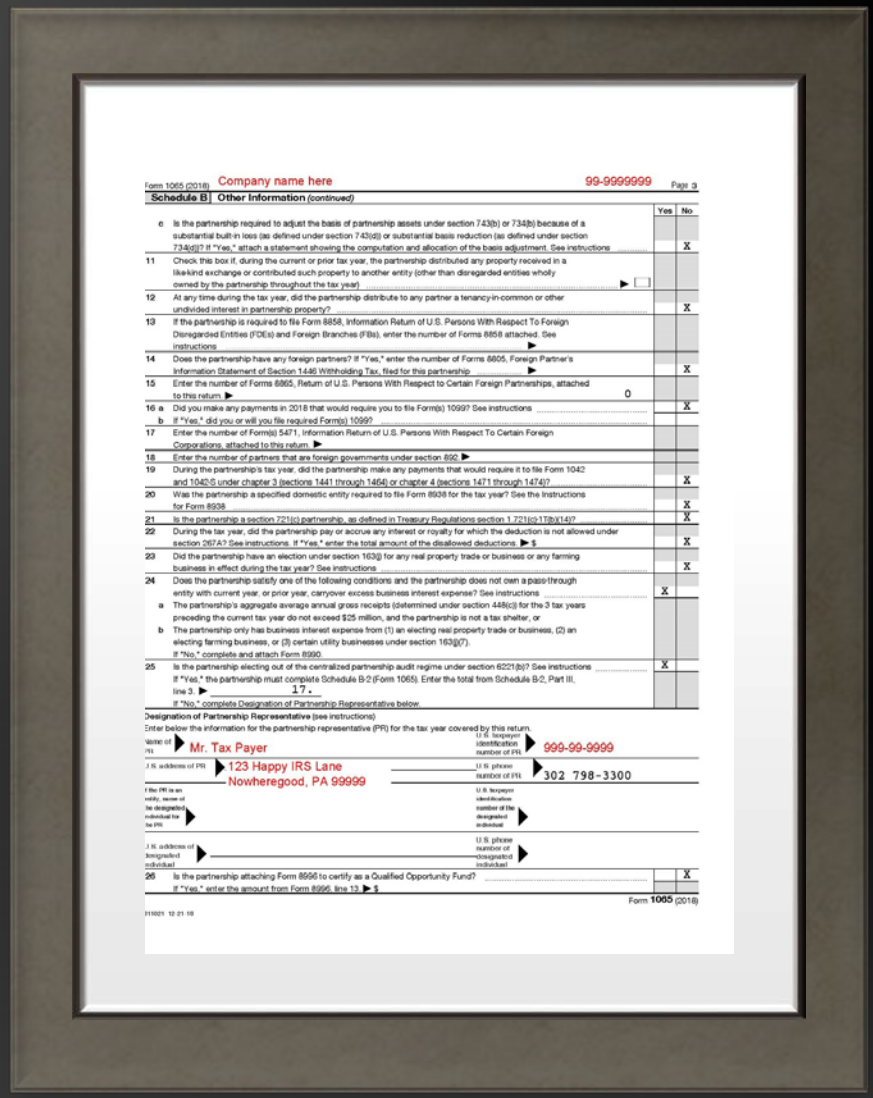
START UP COSTS

The costs you incur before you begin operating the business are start up costs and are accounted for as capital expenditures

- Can elect to take $5,000 of start up costs the first year as long as total start up costs are less than $50,000. Need to make the election.
- Remaining start up costs get amortized over 180 months

PARTNERSHIP AUDIT RULES

- Audit at Partnership level or Individual Partner level
- Need to designate Partnership Representative
- Consider amending LLC agreements or Partnership agreements for these tax law changes



Form 1065 (2018) Company name here 99-9999999 Page 3

Schedule B Other Information *(continued)*

		Yes	No
c	Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions		X
11	Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) ▶ ☐		
12	At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		X
13	If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs), enter the number of Forms 8858 attached. See instructions ▶		
14	Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership ▶		X
15	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ▶ 0		
16 a	Did you make any payments in 2018 that would require you to file Form(s) 1099? See instructions		X
b	If "Yes," did you or will you file required Form(s) 1099?		
17	Enter the number of Form(s) 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, attached to this return ▶		
18	Enter the number of partners that are foreign governments under section 892 ▶		
19	During the partnership's tax year, did the partnership make any payments that would require it to file Form 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		X
20	Was the partnership a specified domestic entity required to file Form 8938 for the tax year? See the Instructions for Form 8938		X
21	Is the partnership a section 721(c) partnership, as defined in Treasury Regulations section 1.721(c)-1T(b)(14)?		X
22	During the tax year, did the partnership pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions. If "Yes," enter the total amount of the disallowed deductions ▶ $		X
23	Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24	Does the partnership satisfy one of the following conditions and the partnership does not own a pass-through entity with current year, or prior year, carryover excess business interest expense? See instructions	X	
a	The partnership's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year do not exceed $25 million, and the partnership is not a tax shelter, or		
b	The partnership only has business interest expense from (1) an electing real property trade or business, (2) an electing farming business, or (3) certain utility businesses under section 163(j)(7). If "No," complete and attach Form 8990.		
25	Is the partnership electing out of the centralized partnership audit regime under section 6221(b)? See instructions	X	
	If "Yes," the partnership must complete Schedule B-2 (Form 1065). Enter the total from Schedule B-2, Part III, line 3. ▶ 17. If "No," complete Designation of Partnership Representative below.		

Designation of Partnership Representative (see instructions)

Enter below the information for the partnership representative (PR) for the tax year covered by this return.

Name of PR ▶ Mr. Tax Payer
U.S. taxpayer identification number of PR ▶ 999-99-9999
U.S. address of PR ▶ 123 Happy IRS Lane Nowheregood, PA 99999
U.S. phone number of PR ▶ 302 798-3300
If the PR is an entity, name of the designated individual for the PR ▶
U.S. taxpayer identification number of the designated individual ▶
U.S. address of designated individual ▶
U.S. phone number of designated individual ▶

26	Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
	If "Yes," enter the amount from Form 8996, line 13 ▶ $		

Form **1065** (2018)

311021 12-21-18

SCHEDULE B-2
(Form 1065)
(December 2018)
Department of the Treasury
Internal Revenue Service

Election Out of the Centralized Partnership Audit Regime

▶ Attach to Form 1065 or Form 1066.
▶ Go to www.irs.gov/Form1065 for instructions and the latest information.

OMB No. 1545-0123

Name of Partnership: Company name here

Employer Identification Number (EIN): 99-9999999

Certain partnerships with 100 or fewer partners can elect out of the centralized partnership audit regime if each partner is an individual, a C corporation, a foreign entity that would be treated as a C corporation were it domestic, an S corporation, or an estate of a deceased partner. For purposes of determining whether the partnership has 100 or fewer partners, the partnership must include all shareholders of any S corporation that is a partner. By completing Part I, you are making an affirmative statement that all of the partners in the partnership are eligible partners under section 6221(b)(1)(C) and you have provided all of the information on this schedule. See the instructions, including the instructions for the treatment of real estate mortgage investment conduits (REMICs), for more details.

Part I List of Eligible Partners

Use the following codes under Type of Eligible Partner:
I - Individual C - Corporation E - Estate of Deceased Partner F - Eligible Foreign Entity S - S corporation

	Name of Partner	Taxpayer Identification Number (TIN)	Type of Eligible Partner (Code)
1	Person 1-15 listed here	SS#'s listed here	I
2			I
3			I
4			I
5			I
6			I
7			I
8			I
9			I
10			I
11			I
12			I
13			I
14			I
15			I

Continued on Part IV

Part II List of S Corporation Shareholders (For each S corporation partner, complete a separate Part II and separate Part V, if needed.)

Use the following codes under Type of Person:
I - Individual E - Estate of Deceased Shareholder T - Trust O - Other

Name of S Corporation Partner▶

TIN of Partner▶

	Name of Shareholder	Shareholder TIN	Type of Person (Code)
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

Continued on Part V

Part III Total Number of Schedules K-1 Required To Be Issued. See instructions.

NEW TAX FORM
Schedule B-2

If your are electing out of the centralized partnership audit rules, and want to be taxed a the individual partner level, then you need to complete schedule B-2

SMALL BUSINESS ACCOUNTING METHOD REFORM & SIMPLIFICATION

Expansion of Taxpayers Who May Use the Cash Basis Method of Accounting

Cash method of accounting may be used by taxpayers, other than tax shelters, that satisfy the gross receipts test, regardless of whether the purchase, production, or sale of merchandise is an income-producing factor

Gross receipts test allows taxpayers with annual average gross receipts that do not exceed $25 million for the three prior taxable-year periods to use the cash method.

Exception still exists for personal service corporations to be able to use the cash basis method even if gross receipts test is not satisfied.

Certain taxpayers no longer required to keep inventories.

A QUICK RECAP

199A Passthrough Deduction

- Real Estate
- Make sure software calculated properly
- Proposed vs. Final Regs

Higher Standard Deduction and No Personal Exemption

Changes to Itemized Deductions

The New 1040

- Changes to the Form
- New Schedules Added
- What happened to my 2018 refund?

Lower Tax Rates for C Corporations and Partnership Audit Rules

Change in Accounting Methods

- Accrual to Cash
- Elimination of Inventory
- Elimination of 263A Costs

Consult your Tax Advisor!

Thank you!

BUMPERS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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