DOWNLOAD PDF INVESTMENT STRATEGIES AFTER THE NEW TAX ACT

Chapter 1 : Personal Finance: Tax Cuts and Jobs Act

*Investment Strategies After the New Tax Act [Martin M. Shenkman] on calendrierdelascience.com *FREE* shipping on qualifying offers. What the Clinton Tax Act means for calendrierdelascience.com what you can do about it.*

Though lacking a creative title, the page bill proposes sweeping changes that will affect how you invest in the future. Our firm tediously analyzed each page of the bill to compile and condense the key items you must pay attention to. However, take a deep breath as this bill still has a long way to go to meet the standards of a few GOP fiscal hawks in the senate. This paragraph, which the bill proposes should be removed, saves you from paying Social Security and Medicare taxes, a total tax of So if paragraph one is removed as the bill proposes, your rental income may be subject to an additional Profit motive factors are defined in the IRC and there are other Tax Court cases we can look to in order to better define a trade or business. Your rental income may be subject to self-employment taxes if you: Qualify as a real estate professional Materially participate in your rental activities Invest in short-term rentals Holding rentals passively will not likely subject your rental income to self-employment tax. So if your rentals house long-term tenants and you have a day job or business , you will likely avoid qualifying your rental income for self-employment taxes. Regardless, should this one sentence go unnoticed and pass, it will have hugely negative implications for real estate investors. Loss of Itemized Deductions What you will be able to write off as an itemized deduction on Schedule A will change drastically. First, you will no longer be able to deduct state and local income taxes paid during the tax year. That tends to be one of the biggest itemized deductions for our clients in high-tax states. The elimination of state and local income taxes as itemized deductions will be costly for those in high-tax states. For folks in low-tax or no-tax states, the impact will be less noticeable. This will hurt people who own a primary residence or a second home of high value, or own in a locality with high property taxes. Personal property taxes are no longer deductible. I have seen mass hysteria in the real estate investment community with this new limit. However, keep in mind that this limit applies to your primary residence and a second home. The new bill states that you must now live in your primary residence for the past five of eight years in order to qualify for the gain exclusion. This means that any sale after January 1, , must meet the new five-of-eight-years requirement. So if you were planning to sell your primary residence and cash out the capital gains tax-free, you had better get moving on listing the property and hope that either 1 you sell before the end of the year or 2 this measure does not pass. You can only claim DPAD if you combine raw materials into an inventory item and then hold them out for sale. The bill currently proposes to eliminate the DPAD. The Rehabilitation Tax Credit is also on the chopping block. This credit helps investors who fix up decrepit parts of cities and towns and hold the properties for a number of years. The proposed bill will eliminate this credit. The problem is that the AMT negatively impacts the middle class, probably more so than it does the rich. Additionally, it can be insanely difficult to calculate, adding to processing time and professional fees incurred. The calculation that was created leaves some S corporation owners out to dry. Businesses that are capital intensive, such as flippers, developers, and builders, may be able to justify high capital percentages. With this new bill, you will be able to write off the entire amount of the personal property item as long as it has a useful life of less than 20 years. Conclusion There are many changes in H. Our firm put together a public Google doc which you can find here. Are you concerned about how the new tax code may affect your business? Ask me your questions in the comments below. Free eBook from BiggerPockets!

Chapter 2 : Why the Tax Act Will Not Boost Investment

Investment Strategies After the New Tax Act. What the Clinton Tax Act means for you and what you can do about it. Confused about the Omnibus Budget Reconciliation Act of ?

Senior Counsel February 7, This article was originally published on Dec. Key takeaways Tax reform presents important changes for investors, while also preserving several areas some thought could change. Business owners might consider changing their form of business to take advantage of tax breaks for pass-through entities. There could also be secondary benefits to investors resulting from lower corporate taxes. A deeper look at the new tax law, though, reveals equally important changes beyond tax rates, especially for business owners. Individuals are also potentially affected, especially when it comes to their retirement accounts, philanthropy and education savings accounts. Big breaks for business owners who qualify for pass-through income. Perhaps the most significant tax change for individuals is the modification in the treatment of income from pass-through entities. Many businesses are pass-through entities, so the effect could be large and swift. Pass-through income is generated via business income from business structures like partnerships, S corporations and sole proprietorships. The new tax rates have a large effect on pass-through income, since this form of income was previously taxed to the end taxpayer, not at the corporate level. In , this popular type of business income potentially faced the maximum tax rate of That changes in Many business owners who receive pass-through income including professionals like doctors and lawyers as well as some financial advisors. Business owners might consider converting from a C corporation structure to S corporation or partnership to take advantage of the pass-through preference. Retirement plan contributions, however, may dilute the benefit of the pass-through deduction. Limits rise even more for estate and gift taxes. Federal estate taxes affect a small subset of high net worth investors now, but that number is likely to dwindle even further. Very few estates are this large, making this type of planning even more of a specialty for advisors. Estate planning strategies can be recalibrated for a much higher upward limit. Expansion of education savings accounts make them even more useful. Since their creation in , s could only be used for post-secondary education expenses. This is a big expansion of the appeal and utility of plans. Previously, investors looking for tax preference on education costs prior to college had to use other account types such as Coverdell Education Accounts. Coverdell accounts will remain available, despite speculation they would be curtailed. Those accounts have disadvantages to s, though, including much lower contribution limits. Clients looking for ways to gain tax efficiency when paying for private school prior to college. The account is now potentially even more compelling than it was before. The cap on state income tax deductions and doubling of standardized deductions changes the math. Many of the tax changes are positives for investors, at least in the early years, but not all. Over time, some taxpayers could end up in higher brackets due to a change in the way the annual increases to the brackets are calculated. The math gets more complicated in other ways. Fewer people will itemize. The increase in the standard deduction could have ramifications on charitable giving, which is an itemized deduction. Investors who take the standard deduction in may not get any tax benefit from charitable giving. The tax bill also eliminates all miscellaneous itemized deductions. One of those deductions is for investment expenses. Fees to financial advisors will no longer be deductible. As with many provisions for individuals, the limit on state and local tax deductibility expires in Meanwhile, the complex alternative minimum tax remains, but has been restructured in a way that is likely to affect far fewer people. While much attention is paid to the changes to the tax code, perhaps equally as important to investors are aspects that remain the same. Tax rates on dividends and capital gains remain unchanged. Tax rates on dividends and long-term capital gains stay where they are in For those in the highest tax bracket, the tax rate is Investors with taxable portfolios that generate dividends or where investment sales are being considered. Investors and advisors can continue to strategically position investments in accounts to take advantage of preferential tax treatment given to qualified dividends and long-term capital gains. Tax benefits to retirement accounts, such as k s and IRAs, stand. Good news for investors in k retirement plans: The tax benefits of tax-deferred retirement accounts stand, despite worries they would be curtailed. Changes were small and affect only a subset of taxpayers and investors. Retirement accounts remain attractive options for taxpayers looking to save and invest for their retirement. There are some minor changes that investors should be aware of. Investors may want to check with their tax professionals to see if any other changes affect them. Tax-lot selling rules stay the same. Investors are still able to determine the most appropriate tax lot to use for cost-basis purposes on investment sales. This preserves an important planning tool for investors. In some versions of the tax bill, it was proposed investors would need to use first-in first-out FIFO accounting, where investors would use the cost basis of the shares they bought first. That could have meant higher capital gains for many investors. Tax-aware investors who have bought investments over time, have unrealized gains and are considering selling. Investors and advisors are still able to analyze investments bought over time and consider which lots are most appropriate to sell for tax purposes. Investors can choose the specific lots to use for cost basis, or, in many cases with mutual fund shares, opt for the average cost of the shares bought over time. The reduction of the top tax rate could reduce the appeal of municipal bonds for some taxpayers. But at the same time, munis get more interesting due to the loss of itemized deductions. Munis remain important options for tax-aware investors. Investors who look to municipal bonds as a source of tax-exempt income. Demand for municipal bonds from banks and insurers may ease a little. But individuals seeking income may still find municipals to be a potential source of tax-advantaged income and diversification. For higher tax bracket investors in states like New York and California, the relative attractiveness of local bonds could actually improve.

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The Act makes extensive changes that affect both individuals and businesses. Some key provisions of the Act are discussed below. Most provisions are effective for Many individual tax provisions sunset and revert to pre-existing law after ; the corporate tax rates provision is made permanent. Comparisons below are generally for Individual Income Tax Rates Pre-existing law. There were seven regular income tax brackets: There are seven tax brackets: These provisions sunset and revert to pre-existing law after In general, personal and dependency exemptions were available for you, your spouse, and your dependents. Personal exemptions were phased out for those with higher adjusted gross incomes. You could generally choose to take the standard deduction or to itemize deductions. Additional standard deduction amounts were available if you were blind or age 65 or older. Itemized deductions included deductions for: There was an overall limitation on itemized deductions based on the amount of your adjusted gross income. The standard deduction is significantly increased, and the additional standard deduction amounts for those over age 65 or blind are still available. The personal and dependency exemptions are no longer available. Many itemized deductions are eliminated or restricted. The overall limitation on itemized deductions based on the amount of your adjusted gross income is eliminated. An individual cannot prepay income taxes in in order to avoid the dollar limitation in The deduction for mortgage interest is still available, but the benefit is reduced for some individuals, and interest on home equity loans is no longer deductible. The charitable deduction is still available, but modified. The deduction for personal casualty losses is eliminated unless the loss is incurred in a federally declared disaster. The child tax credit was phased out if modified adjusted gross income exceeded certain amounts. The changes to the credit sunset and revert to pre-existing law after The AMT changes sunset and revert to pre-existing law after This provision sunsets and reverts to pre-existing law after The corporate alternative minimum tax is repealed. Retirement Plans Under the Act, the contribution levels for retirement plans remain the same. However, the Act repeals the special rule permitting a recharacterization to unwind a Roth conversion. The provision is effective for months beginning after December 31, Janney Montgomery Scott LLC Financial Advisors are available to discuss the suitability and risks involved with various products and strategies presented. We will be happy to provide a prospectus, when available, and other information upon request. Please note that the information provided includes reference to concepts that have legal, accounting, and tax implications. It is not to be construed as legal, accounting, or tax advice and is provided as general information to you to assist in understanding the issues discussed.

Chapter 4 : What Tax Reforms Mean for Investors

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Chapter 5 : Key Changes in the Trump Tax Plan That Will Affect Real Estate Investors

Investment Strategies After The New Tax Act pdf download Investment Strategies After The New Tax Act word download The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year , Pub.L. , is a congressional revenue act originally introduced in Congress as the Tax Cuts.

The centerpiece of the Republican Tax Act signed into law at the end of last year was the cut in the corporate income tax rate. Since the law passed, most of the discussion has focused on the division of the benefits of the corporate tax cuts between shareholders and workers. On this score, the shareholders look to be the big winners. It is also worth noting that companies were effectively getting paid to announce bonuses as soon as the law was passed. A bonus announced in calendar year could be written off against the 35 percent corporate income tax rate in effect that year even if it would be paid in In contrast, bonuses that were not announced until could be deducted only at the new 21 percent corporate income tax rate. This is in addition to the benefits of getting into the good graces of a notoriously capricious president. Their argument was not that if we give tax cuts to corporations, the corporations would pass them on to workers. If that were the case, it would be much simpler just to give the tax cuts to workers. They argued that the big gain to workers would be through an indirect channel. Their story was that lower corporate tax rates would lead to a huge increase in investment, which would in turn increase productivity, which would then lead to higher wages. Hassett was not just arguing this position to justify the Trump tax cut; he is a true believer. He has been doing research for decades that finds investment to be hugely sensitive to tax rates. Hassett argued that the reduction in the corporate tax rate would spur enough investment to boost the capital stock by roughly a third after a decade over its baseline growth path, increasing output and wages by 10 percent over the baseline levels. The claim depends entirely on the additional growth that will result from the lower tax rates. The distribution of the initial tax cut itself is trivial by comparison. Other research on variations in state tax rates in the United States and provincial tax rates in Canada finds similar results, so there is some basis for the claim about growth and higher wages. These studies, however, have to be put up against a larger body of research that examines the determinants of investment. The primary channel through which a lower tax rate would boost investment is by reducing the after-tax cost of capital. Paying a lower tax rate effectively makes it cheaper to invest. The research on this issue is extensive, and most of it finds that investment is relatively unresponsive to changes in the cost of capital. This is part of the story of weak investment in the recovery from the Great Recession. The interest rate that companies have had to pay in recent years on borrowed money has been at historically low levels. With an inflation rate of around 2 percent, this comes to a 2 percent real interest rate. That compares with a real interest rate near 4 percent during the lates investment boom. In the late s, the real interest rate on these bonds averaged over 5 percent. Investment, in other words, has been far more responsive to demand growth than to the cost of capital. Sales growth was a far more important determinant. There is another reason for questioning the impact that cutting the corporate tax rate will have on investment: We tried this trick before. The tax reform lowered the corporate income tax rate from 46 percent to 34 percent. This is almost as large a reduction as the one in the new law. The way to think about the size of the cut is the share of profit pocketed by the company. The tax cut increased the share from 54 percent to 65 percent, a The tax cut raised the share from 65 percent to 79 percent, a Unfortunately, no investment boom followed the tax cut. This history does not seem consistent with the view that investment is hugely responsive to the corporate tax rate. Keep in mind, their story is not that the tax cuts would lead to a modest rise in investment; they claimed the tax cuts would increase the size of the capital stock by one-third after a decade. Although the bill was signed into law at the end of December, businesses already knew in September that a large cut in the corporate tax rate was likely. If tax rates were a large factor in investment decisions, we would expect that dynamic firms would have begun planning for investments they would make if the tax law passed. The bill then passed the Senate in the middle of December, at which point it was absolutely certain that corporations would be paying a lower tax rate. If we pull out aircraft, orders for non-defense capital goods were just 0. Even including aircraft orders, the year-over-year increase was This is a respectable growth rate, but very far from a pace that would increase the capital stock by a third over baseline growth in a decade. In fact, there have been many times where spending increased more rapidly in the recent past without the benefit of a huge tax cut. For example, in the first half of , the growth in orders compared with the prior year averaged 17 percent. Going slightly further back, capital goods orders grew an average of 9. These were not years in which anyone thought we were experiencing an investment boom. The National Federation of Independent Business provides another measure of intended spending based on a survey of its members. This measure showed a slight increase in the percentage of members planning to increase capital expenditures in the next three to six months immediately following passage of the tax cut, with the share going from 26 percent in November to 29 percent in February. But it then fell back to 26 percent in the March reading. By comparison, the share had been as high as 29 percent back in August when Barack Obama was in the White House. The index averaged over 30 percent in the years preceding the recession. Several of the regional Federal Reserve banks conduct surveys of business conditions in their districts that also ask about plans for investment. The results from the New York district, the Philadelphia district, and the Chicago district all tell pretty much the same story. Investment is expanding at a moderate pace along with the overall economy, but there is zero evidence anywhere of an investment boom induced by the tax cut. The tax cut proponents will undoubtedly object that it is too early to make much of the data we have, but remember, their claim was the tax cut would lead to a huge surge in investment, implying that businesses are very responsive to changes in the tax rate. And without this growth in investment, the corporate tax cuts look like just another way to give money to the richest people in the country who own most of the stock in the corporations getting the tax cuts. Contrary to what many economists have claimed, the idea of growth at that pace is not outlandish. GDP growth is the sum of labor force growth and productivity growth. Given the demographic trends, labor force growth will average less than 1 percent, but the productivity part of the story is much less certain. It could approach that level once more. After all, this is what job-killing robots are all about.

Chapter 6 : Investment Strategies After the New Tax Act - Shenkman, Martin M. - | HPB

Sales Tax, Rate of Sales Tax, Selling Price - Interactive Math Lesson Bernie pays for his stuff by taxing the rich, corporations, by closing loopholes, and taxing Wall St speculation.

The law also left the rules for health savings accounts intact. The law does end the Roth IRA recharacterization option starting in , but recharacterizations will be permitted. Recharacterization allowed taxpayers to undo a Roth IRA conversion for a limited time, and was often useful if the value of the converted investments fell. That limit will be indexed to inflation, but would expire and revert back to current law after Beneficiaries will still get a step up in basis, meaning there would be no capital gains tax due on inherited assets at the time of the transfer, and the cost basisâ€"the value used to compute tax liabilityâ€"would be reset to the price at that date. It is important to note that state level estate tax exemptions are often much lower than the federal level and are unaffected by this law. In addition, the temporary nature of the higher limit means that if you have an estate plan, you should proceed carefully before making any changes. It is essentially a parallel method for calculating your income tax liability. The tax reform law makes changes designed to limit the impact of the tax. That tax cut is not scheduled to expire. For income above that level, the rules are complex but it appears that certain kinds of businesses might still be eligible for a partial deduction. The plan would let businesses fully expense new equipment right away, but the provision would eventually expire. It will also temporarily increase the contribution limits to ABLE accounts under certain circumstances. The bottom line There are a few things you may want to consider in light of the new legislation, and may want to consult with a tax professional about, so you can be prepared. Rethink your mortgages and deductions: If you have traditionally made charitable gifts or benefited from the mortgage interest or state and local tax deduction, you want to look at how the new standard deduction will impact you. If it no longer makes sense to deduct these expenses, you may want to rethink your mortgage or giving strategy. The imposition of a cap on state and local tax deductions may also impact where some people choose to live in retirement. Look at your education expenses: So if you have kids or grandkids you should consider how these accounts factor into your savings plans. With the new rules, families that pay for private elementary or high schools may also want to consider the benefits of these accounts. Some offer state income tax deductions and preferential treatment for investment gains, which can help to manage the cost of education. Even in the absence of tax reform, it makes sense to periodically review your estate plan. If the estate tax limit changes are relevant to your plan, it may make even more sense to revisit your strategy. You may want to meet with your estate planning attorney. If you own a small business, you may want to reconsider how you structure your income and the form of your enterprise. Depending on the size and particulars of your business, you may want to consider the benefits of incorporation or the restructuring of pass-through organizations. Consult with an expert in small-business taxation. With new rules in place temporarily for expensing capital equipment purchases, business owners may want to review their capital expenditure plans. Next steps to consider.

Chapter 7 : New tax rules - What It Means For Investors - Fidelity

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Chapter 8 : Marcus & Millichap - Special Report

The Clinton Tax Act of introduces the most sweeping changes in the US tax system in the past seven years. This book shows investors how to profit from these changes and avoid the new tax traps. Filled with worksheets, ckecklists, tips and traps, and real-life examples.