

# TRUMP Tax Changes 2017

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# Individual - Tax Brackets Changes

The current seven tax brackets will be streamlined to three – 10%, 25% and 35%. The top rate will drop to 35% from 39.6%. But the Trump administration has not said which income ranges would apply to those brackets

Taxpayers fall into one of 7 brackets, depending on their taxable income: 10%, 15%, 25%, 28%, 33%, 35% or 39.6%. Because the U.S. tax system is a progressive one, as income rises, increasingly higher taxes are imposed.

# Individual – Double the Standard Deduction and eliminate most itemized deductions

- The standard deduction, currently \$6,350 for single people and \$12,700 for married couples, would double. As a result, many more low to moderate income families would pay no taxes. But all other deductions, except for mortgage interest and charitable contributions, would be eliminated, including state and local taxes and medical expenses.
- About 70% of Americans, mostly low- to moderate-income, currently take the standard deduction and would benefit. Many of the remaining 30% who itemize, largely higher income households, would likely switch to the standard deduction, leaving only about 5% itemizing. Some wealthier Americans could end up paying higher taxes, though most would save. Scrapping the state and local provision would have the biggest impact and would largely hurt Americans in “blue,” or Democratic states on the coasts that pay higher state and local tax rates.

Source USA Today

# Individual – Repeal the AMT

- The alternative minimum tax -- which generally hits households with incomes of at least several hundred thousand dollars – would be ditched. The current rate is 28% for income that qualifies, and it hits individuals who otherwise would benefit from a sharply lower effective tax rate because of deductions.
- More on AMT – In a nutshell, the alternative minimum tax was implemented by Congress in 1969 after noticing that many high-income households were using so many deductions and other tax loopholes that they were paying no federal income tax whatsoever. Just to name a few common examples, here are some of the deductions you would need to add back into your taxable income when calculating your AMT:
  - State and local income taxes
  - Real estate and personal property taxes
  - Miscellaneous itemized deductions, such as employee business expenses
  - Interest on home equity loans
  - Deduction for a net operating lossMortgage Int Stays and Charitable contributions can stay

Source – The Motley Fool

# Individual – Repeal the Estate Tax

- The estate, or so-called “death,” tax, would be scrapped. The 40% tax currently applies to the excess on \$5.5 million inheritance or more for individuals and an \$11 million or more inheritance for married couples.
- The federal estate tax is a tax on property (cash, real estate, stock, or other assets) transferred from deceased persons to their heirs. Only the wealthiest estates pay the tax because it is levied only on the portion of an estate’s value that exceeds a specified exemption level — \$5.49 million per person (effectively \$10.98 million per married couple) in 2017.
- Today, 99.8 percent of estates owe no estate tax at all, according to the Joint Committee on Taxation.<sup>[4]</sup> Only the estates of the wealthiest 0.2 percent of Americans — roughly 2 out of every 1,000 people who die — owe any estate tax. (See Figure 1.) This is because of the tax’s high exemption amount, which has jumped from \$650,000 per person in 2001 to \$5.49 million per person in 2017
- Source - CNBC

# Individual – Repeal the Obama Tax on Investment income

- The Trump administration continues to push to eliminate the 3.8 percent net income investment tax created by the Affordable Care Act.
- The tax applies to investment income of taxpayers with a modified adjusted gross income of more than \$200,000 for single filers and \$250,000 for married couples filing jointly. Ending the net income investment tax would drop the effective capital gains tax rate for high earners from 23.8 percent to 20 percent.
- Investors who are selling property or securities this year should consider the tax consequences of postponing those transactions because they may possibly take advantage of lower capital gains rates in the future, Wagner said.

# Business – Reduce the Corporate rate to 15% Including Small Businesses

- The U.S. has one of the highest marginal corporate tax rates in the world, even though most companies take advantage of the law's buffet of deductions and loopholes to bring their effective tax rate well under 35 percent. The average company pays a rate of about 19 percent, while some large multinationals, like GE and Google, pay close to nothing !

Source – The Atlantic.com

# Business – Reduce the Corporate rate to 15% Including Small Businesses

- For owners of small firms, income passes through the company and is taxed only at the individual level as ordinary income. For this reason, these companies are sometimes called “pass-through” entities.

The Trump plan would cut taxes on pass-through income to 15 percent, just like the corporate rate. This would reduce the tax burden on many small-business owners of all kinds, including little hardware stores, law firms, consulting groups, lobbying groups, and large family-owned businesses, like the Trump Organization.

Source – The Atlantic.com

# Business – Territorial Tax (Pay only on US earned Income)

The proposed territorial tax system means that US companies would pay tax only on income related to the US. They would not be subject to worldwide income

American Corporations -- just like American people, pay an income tax on all income earned anywhere in the world. They also get a credit for foreign taxes actually paid. The idea is that a US corporation's total world wide tax bill should be equal to the US tax rates applied to its total profit.

Lets Talk Worldwide income...

# Business – Territorial Tax (Repatriate American Foreign Dollars)

American companies looking to avoid paying domestic tax rates are holding about \$2.6 trillion in overseas earnings, a number that has been rising steadily for years, according to new research from Capital Economics.

- Part of President [Donald Trump's tax plan](#) calls for a "holiday" that would lower the U.S. rate to incentivize companies to repatriate — bring home — that money.
- At 35 percent, the U.S. corporate tax rate is the highest in the world. That's caused many multinationals to keep their overseas earnings abroad in tax shelter countries like Ireland and Luxembourg

One of the 12 bullet points in the tax reform plan released Wednesday calls for a "one-time tax on trillions of dollars held overseas." It was unclear what that reduced rate would be, but the last tax holiday allowed companies to repatriate overseas earnings at a tax rate of 5.25 percent. That was enacted by President George W. Bush in 2004 in another attempt to stimulate the economy.

*Source - CNBC*

# Conclusion & Summary

How many of President Trump's tax changes will end up being implemented?.....Who knows.. however we can rest assured that all proposals will not be ignored and we can expect a general reduction in business taxes that will most probably trickle down to the individual as well.



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Guillermo Will Dejesus CPA is the Founder & CEO of TaxTerminal.com and Rapido Tax Inc. He Operates three Tax Centers in New York City and is the developer of the Online Lead Generation and Tax Technology within TaxTerminal.com.

Will went to Queens College on a baseball scholarship and played competitively throughout his college years. Following his graduation in 1998, Mr. Dejesus became a management auditor for various Fortune 100 companies, such as Sony Entertainment, The Rockefeller Group and Altria Corporation. Will was also a Senior Consultant with Deloitte and Touche, the 2nd largest accounting firm in the country and was a management consultant for the #1 advisory firm in the country Protiviti.

After working closely with large organizations, he decided to go back to his humble roots and help the people who need it most. He offered Hispanics and Urban Neighborhoods an “all-inclusive financial Center” where they can rely on services in accounting and Tax prep. With Rapido Tax Inc. clients can depend on services executed only by certified professionals regardless of their status or income levels. He then automated the process by developing TaxTerminal.com and RapidoTax.com

He is a finance committee member of the Queens Botanical Garden, former Treasurer of the NYC Positive Health Project and treasurer for the Julissa Ferreras city council campaign.