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## **Tax Cuts and Jobs Act Signed December 22, 2017**

The Tax Cuts and Jobs Act is very complicated legislation. It is almost impossible to determine if you will have a tax cut or tax increase without a detailed analysis. Many of the provisions in the Act will require new IRS regulations, which may not be issued for months. Several important things to consider this week:

State Income Taxes and Real Estate Taxes will be limited starting in 2018. **IMPORTANT you should pay your full estimated Kansas and other state taxes for 2017 by December 31<sup>st</sup>.** (Call your tax professional if you have paid Alternative Minimum Tax in the past). You may also want to pay the full amount of Real Estate Taxes on your home, not the ½ that is required.

**IMPORTANT – a provision in the law limits the amount you can deduct for seat rights at Athletic Events for Colleges. You should pay your 2018 Ahearn Membership Fund contributions by December 31<sup>st</sup>.** If you have a long-term obligation for a Suite you may want to consider paying it in full.

Please call your tax professional if you have any questions. The following summary is just a small sampling of the provisions in the Act. Most provisions will begin in 2018 and include the following:

For Individual Taxpayers:

- Tax Brackets – seven tax brackets remain, most (but not all) brackets have been expanded or rates reduced. The top bracket has been reduced from 39.6% to 37%.
- The Alternative Minimum Tax has been retained, but will apply to fewer taxpayers.
- Some Itemized Deductions have been reduced including:
  - State Income Taxes and Personal Real Estate Taxes are subject to a combined \$10,000 limit.
  - Home Mortgage Interest limited to \$750,000 principal balance.

- Contributions for “seat rights” eliminated.
- Miscellaneous itemized deductions are eliminated.
- More Medical expenses will be deductible due to a reduced exclusion.
- The Standard Deduction has been almost doubled.
- Personal Exemptions have been eliminated.
- The Child Tax Credit (dependents under age 17) has been increased to \$2,000 for each child, and will apply to more households.
- The Affordable Care Act’s individual mandate has been eliminated.
- Alimony deductions eliminated for divorces after 12-31-18.
- Moving expenses are eliminated as deductions.
- Excess Business Losses (passive losses) limited or eliminated.
- Taxation of Pass Through Entity Income – normally 20% will be non-taxable. However, there are numerous exceptions or limitations to the rule including professional entities and entities with no employees.
- Reduction in Sole Proprietorship Business or Farm Income – normally 20% of this net income will be non-taxable. Some limitations may apply.
- The Estate Tax and Gift Tax Exemptions have been increased to \$11,000,000 per person.
- Many other provisions of the act may apply depending on the individual’s situation.

#### For Business Taxpayers:

- C Corporation tax rate is reduced to 21%.
- Corporate Alternative Minimum Tax is repealed.
- Interest expense may be limited in some situations.
- Qualified Business Assets may be expensed 100% in the year of purchase (applies to assets purchased after 9/27/17).
- Section 179 limits have been increased.
- Business Vehicle expense limits have been increased.
- Like-kind tax free exchanges of equipment have been eliminated.
- Many Business Entertainment expenses have been limited or eliminated.
- The Domestic Production Activities Deduction is repealed.
- The entities eligible to use the Cash Basis of accounting have been expanded.
- Many other provisions of the act may apply depending on your business entity or situation.