

Top questions for your CPA and estate planning attorney

The Tax Cuts and Jobs Act (TCJA) introduced many changes to the tax code in 2018, including limits on some popular tax deductions. As a result, the new law could have a significant impact on how individuals and small businesses file income taxes and make tax-planning decisions.

10 questions to ask your CPA or tax preparer

1. Based on preliminary analysis, if my 2018 income is similar to that of 2017, with no major changes beyond the new tax law, should I expect to pay more, the same, or less tax? If I'm likely to owe more, are there strategies to mitigate the impact of the new tax law? Do I need to adjust my estimated tax payments?
2. What's my likely marginal tax rate for 2018 following passage of the new tax law?
3. How has the tax law affected my tax deductions? Do you think it will be advantageous to itemize this year or take the standard deduction?
4. Specifically, what are the main deductions I've claimed in the past and what has changed due to the tax law? For example, will I still be able to deduct interest paid on a home equity line of credit (HELOC)? What about deducting my state income tax and local property tax? Are there strategies to consider in light of losing certain deductions?
5. Am I usually subject to the alternative minimum tax (AMT)? If so, should I expect to pay AMT in 2018?
6. Now that the personal exemption has been eliminated, will I benefit from the expanded Child Tax Credit (CTC)?
7. Based on my personal circumstances, what are the considerations around either using strategies to lower my taxable income (such as contributing more to a retirement plan) or to increase my taxable income (through a Roth IRA conversion for example)?
8. Are there any strategies I should consider to optimize gifts to charities, such as "lumping" charitable contributions or making gifts directly from my IRA (if age 70½ or older)?
9. As a small-business owner, am I able to benefit from the new 20% deduction on business income? Are there certain strategies I should consider to maximize this deduction? Do I need to review how my business is structured from a tax perspective?
10. With changes to the kiddie tax and increased flexibility in using 529 plans, what tax-related factors should I consider when funding college education?

Time for a plan review

Depending on your individual financial situation and goals, there may be many more questions about how the TCJA affects charitable gifting, estate planning, and real estate or business ownership. Some of the enhanced tax credits may offset those that were repealed or limited. Getting expert advice in advance may help mitigate your tax liability later and allow you to take advantage of strategies that can enhance your plan's efficiency.

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Estate planning considerations

Tax reform also raised the lifetime exemption for the estate and gift tax to \$11.18 million for individuals — from \$5.49 million — and over \$22 million for married couples. According to estimates, only 1,700 estates in 2018 will exceed the exemption limit, compared with 4,000 prior to the new tax law.

Still, estate planning involves a range of strategies beyond taxes.

Five questions to ask your estate planning attorney about the new tax law

1. Due to the recent tax law changes, do my estate planning and trust documents need to be updated?
2. With the dramatic increase in the lifetime exemption amount (from roughly \$5.5 million to over \$11 million per person) does it make sense to consider a sizeable gift to heirs now? If so, what are some options for structuring a gift (outright, through an irrevocable trust, etc.)?
3. Given the current estate and gift tax environment, what are the pros and cons of gifting assets to heirs while I'm living versus transferring assets to them upon my death?
4. Under the current law, few taxpayers have to worry about federal estate and gift taxes. Do I need to be worried about any taxes on transferring wealth in my particular state?
5. What is the portability provision, and how has it changed with the recent tax law?

Estate planning still needed

Although fewer estates will be subject to an estate tax under the new law, estate planning is still important for investors. In addition to basic documents, an estate plan can address other areas such as asset protection. Changes to estate and gift tax law require a thorough review of existing plans.

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