



Major Tax Changes Coming? (continued)

- 1. Reduce and simplify income tax brackets.**
Three federal income tax brackets (12, 25 and 33%) would replace the current seven brackets (10, 15, 25, 28, 33, 35 and 39.6%). The tax rates on long-term capital gains would stay the same (0- 20%).
- 2. Increase the Standard Deduction and Eliminate Personal Exemptions.**
Personal exemptions would be removed and standard deductions would be increased from \$6,300 to \$15,000 for Single and \$12,600 to \$30,000 for Married Couples.
- 3. Put a cap on Itemized Deductions.**
\$100K for Single and \$200K for Married Couples.
- 4. Repeal the Alternative Minimum Tax (AMT).**
- 5. Lower the corporate tax rate and eliminate tax deferral on overseas profit.**
Trump has proposed lowering the corporate tax rate from 35% to 15% to be more in line with other countries.
- 6. Eliminate gift, estate and generation skipping tax and “step-up” in basis.**
Estates and gifts above \$5.45 million would no longer be taxed at 40% and the step-up in basis upon death would be eliminated. Upon the sale of gifted or inherited assets, the recipient would pay tax on any capital gains above the proposed \$5 million (per person) exemption.
- 7. Repeal the tax increases and employer penalties from the Affordable Care Act, including the 3.8% Medicare surtax on net investment income.**

Which changes are most likely?

No one is certain which proposed changes would overcome the obstacles necessary to pass: the effect on the national debt, Democratic resistance, and competing proposals from Congress. With Republican control of Congress, we might see some of these changes starting next year. We will keep you posted as the situation unfolds. As always, reach out to your advisor to discuss how these changes might affect your financial plan.