BRAVE ASSET MANAGEMENT

TAX LAW IMPLICATIONS

DECEMBER 21, 2017

Dear Client,

There are a few important changes in the new tax law that we want to bring to your attention prior to yearend. The following overview is provided to you for informational purposes only and does not constitute tax advice. We urge you to consult your personal tax advisor to see how these changes could affect your personal tax circumstances and how best to use any of these provisions to your benefit.

Income tax rates will decline in 2018, income thresholds will increase, and the standard deduction will approximately double. The number of income tax rates will remain at seven, but for most taxpayers the rate they will pay at a given income level will decline by 100-300 basis points. The standard deduction for those who do not itemize will increase from $6,350 for single taxpayers and $12,700 for joint taxpayers to $12,000 and $24,000, respectively. Given the capping of deductions for state and local taxes (SALT), fewer taxpayers will find it advantageous to itemize their deduction in 2018. ***For these reasons, some taxpayers may consider taking tax deductible expenses prior to 12/31/17 and deferring income into 2018.***

Deducting of SALT will be limited to $10,000 per year beginning in 2018. A number of clients have asked us about prepaying SALT prior to 12/31/17 in order to use the deduction against their 2017 taxes. Unfortunately, there is a provision in the tax law that closes this loophole by stipulating that the prepayment of taxes for a tax year that begins on January 1, 2018 or later cannot be used as a deduction against 2017 taxes. ***Taxpayers should check with their tax return preparer to get an opinion as to whether they believe prepaying any remaining balance of property taxes for the current fiscal year would qualify for a 2017 deduction since the current municipal fiscal year began on July 1, 2017 and, if so, confirm that taking the deduction will not result in the triggering of the Alternative Minimum Tax.***

The use of 529 savings plans has been expanded to include the use of them to pay for Kindergarten through 12th grade education. The plans have been a very effective way to save for college education as the earnings on the plans are tax free if used for education-related expenses. Some states also offer a tax deduction on contributions to the plans. The plans also offer a high degree of flexibility as the beneficiary of a plan can be changed if the original beneficiary does not use all of the plan balance. An individual can gift $14,000 per year and a couple that files taxes jointly can gift $28,000 per year to a single beneficiary's plan and can contribute those amounts to as many beneficiaries' plans as desired without incurring gift taxes. An election can also be made to make a lump sum contribution equal to five years' worth of gifting ($70,000/$140,000) in a single year into a plan. All of these benefits can now be used to save for K-12 education. ***To take advantage of these benefits, taxpayers should strongly consider establishing and funding 529 plans for children, grandchildren, and any other children in their lives who may need assistance with affording education.***

Please do not hesitate to contact us with any questions. We wish you and your families a wonderful holiday season and a happy New Year!

Brett, Dave, and Scott

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