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GAINED



PLUG INTO NEW TAX REQUIREMENTS & JUMP START ACA COMPLIANCE

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FEDERAL TAX REFORM UPDATE

Understand the impact of tax reform on individuals and exempt organizations

INDIVIDUALS

1 INDIVIDUAL TAX
RATE STRUCTURE

2 ITEMIZED
DEDUCTIONS

3 STANDARD
DEDUCTION

4 FAMILY AND
EDUCATION
INCENTIVES

5 INDIVIDUAL
ALTERNATIVE
MINIMUM TAX

2018

Rate	Single filers	Married filers filing joint
10%	\$0 - \$9,525	\$0 - \$19,050
12%	\$9,525 - \$38,700	\$19,050 - \$77,400
22%	\$38,700 - \$82,500	\$77,400 - \$165,000
24%	\$82,500 - \$157,500	\$165,000 - \$315,000
32%	\$157,500 - \$200,000	\$315,000 - \$400,000
35%	\$200,000 - \$500,000	\$400,000 - \$600,000
37%	Over \$500,000	Over \$600,000

2017

Rate	Single filers	Married filers filing joint
10%	\$0 - \$9,325	\$0 - \$18,650
15%	\$9,325 - \$37,950	\$18,650 - \$75,900
25%	\$37,950 - \$91,900	\$75,900 - \$153,100
28%	\$91,900 - \$191,650	\$153,100 - \$233,350
33%	\$191,650 - \$416,700	\$233,350 - \$416,700
35%	\$416,700 - \$418,400	\$416,700 - \$470,700
39.6%	Over \$418,400	Over \$470,700

WHAT STAYS?

- Medical and dental (7.5% floor)
- Taxes (up to \$10,000)
- Mortgage interest
- Charitable donations

WHAT GOES?

- Home equity loan interest
- Casualty and theft losses (unless federal disaster zone)
- Miscellaneous deductions subject to 2% floor
 - Job expenses
 - Tax preparation fees
 - Investment fees
- Overall limitation
- Also some above-the-line deductions – Moving Expenses

INCREASED STANDARD DEDUCTION

Roughly doubles 2017 amounts

\$24,000

MARRIED TAXPAYERS FILING JOINTLY
(CURRENTLY \$12,700)

\$12,000

SINGLE FILERS
(CURRENTLY \$6,350)

JANE IS A SINGLE TAXPAYER

In 2017, standard deduction (SD) was \$6,350 & Jane's itemized deductions (ID) were \$11,000 which included \$5,000 of charitable contributions. Jane deducted \$11,000 in 2017.

In 2018, SD will be \$12,000 & Jane's ID are still \$11,000 (which again includes \$5,000 to charity).

It no longer matters if Jane contributes \$5,000 to charity, as her SD is now \$12,000 under the new law even if she gives zero to charity.

In this example, the tax incentive to give to charity has been eliminated.

CHILD TAX CREDIT

- \$2,000 per qualifying child
- \$400,000 and \$200,000 phase out for married filing joint and single filers, respectively
- \$500 nonrefundable credit for non-child dependents

EDUCATION INCENTIVES

- Final bill retains all education incentives in current law
- Section 529 plans can now be used for elementary and secondary tuition, up to \$10,000 per year



INDIVIDUAL AMT CHANGES

- AMT for individuals retained
- Exemption and related phase-out amount increased
- Will apply to fewer taxpayers



OTHER CHANGES

- Individual Mandate under ACA
- Indexing Changes
- Estate and Gift Tax changes

EXEMPT ORGANIZATIONS

1 UBI & NET
INVESTMENT
INCOME

2 EXCESSIVE
EXECUTIVE
COMPENSATION

3 EMPLOYEE
BENEFITS

4 RETIREMENT PLANS



UNDER THE NEW RULES

- Unrelated business income (UBI) – track activities on separate basis
- Losses cannot offset income derived from another activity
- Only 80% of NOL carryover can offset income
- Allowable exception is for NOLs generated in years prior to 2018
- Corporate tax rate changed to flat 21%



EXCISE TAX ON NET INVESTMENT INCOME

- 1.4% excise tax on net investment income earned annually on assets not used directly in carrying out educational purposes
- Provision applies to organizations with at least 500 full-time students (with 50% of students located in the US) with qualifying assets of at least \$500,000 per student, or a total of at least \$250 million in applicable assets
- Attribute related organizations when determining thresholds

NEW EXCISE TAX OF 21% ON EXCESS COMPENSATION



1 WHO IS A "COVERED EMPLOYEE"?

Top five highest paid in
current year or any prior
year after December 31,
2016



2 WHAT IS CONSIDERED EXCESS COMPENSATION?

- Compensation exceeding \$1 million OR
- Excess parachute payments



3 EXCLUSIONS

Payments to licensed
medical professionals
directly related to providing
medical or veterinary
services

NEW EXCISE TAX OF 21% ON EXCESS COMPENSATION (cont'd)

- Includes amounts paid by related organizations
- \$1 million compensation level :
 - Includes amounts no longer subject to risk of forfeiture [457(f)]
- Excess parachute payments
 - Subject to excise tax even if less than \$1 million
 - Triggered by amounts exceeding 3 times “base” amount
 - Does not include payments from qualified plans, 403(b) and 457(b)
 - Excise tax applied to payments in excess of 1 times the “base”



BENEFITS TREATED AS UNRELATED BUSINESS TAXABLE INCOME

- Qualified transportation fringe (e.g., transit passes/qualified parking
 - Employee pre-tax deferral still permitted
 - Tax on full amount paid by employer and, possibly, pre-tax by employee
- On-premise athletic facility

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**BENEFITS
TREATED AS
TAXABLE INCOME
TO EMPLOYEES**

- Employee achievement awards – “tangible personal property”
- Qualified moving expenses (2018-2025)

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**POTENTIAL TAX
CREDIT AVAILABLE
TO NFPs
(2018-2019)**

- Paid family and medical leave if pay at least 50% of regular wages
- Must exceed state requirements
 - Must be separate from normal vacation, sick and paid time off



RETIREMENT PLAN PROVISIONS CONTAINED IN TAX ACT AND BUDGET ACT

- Participant loan rollover period
- Distributions related to a qualified disaster
- Change to hardship distribution rules
- Repayment of certain tax levy distributions

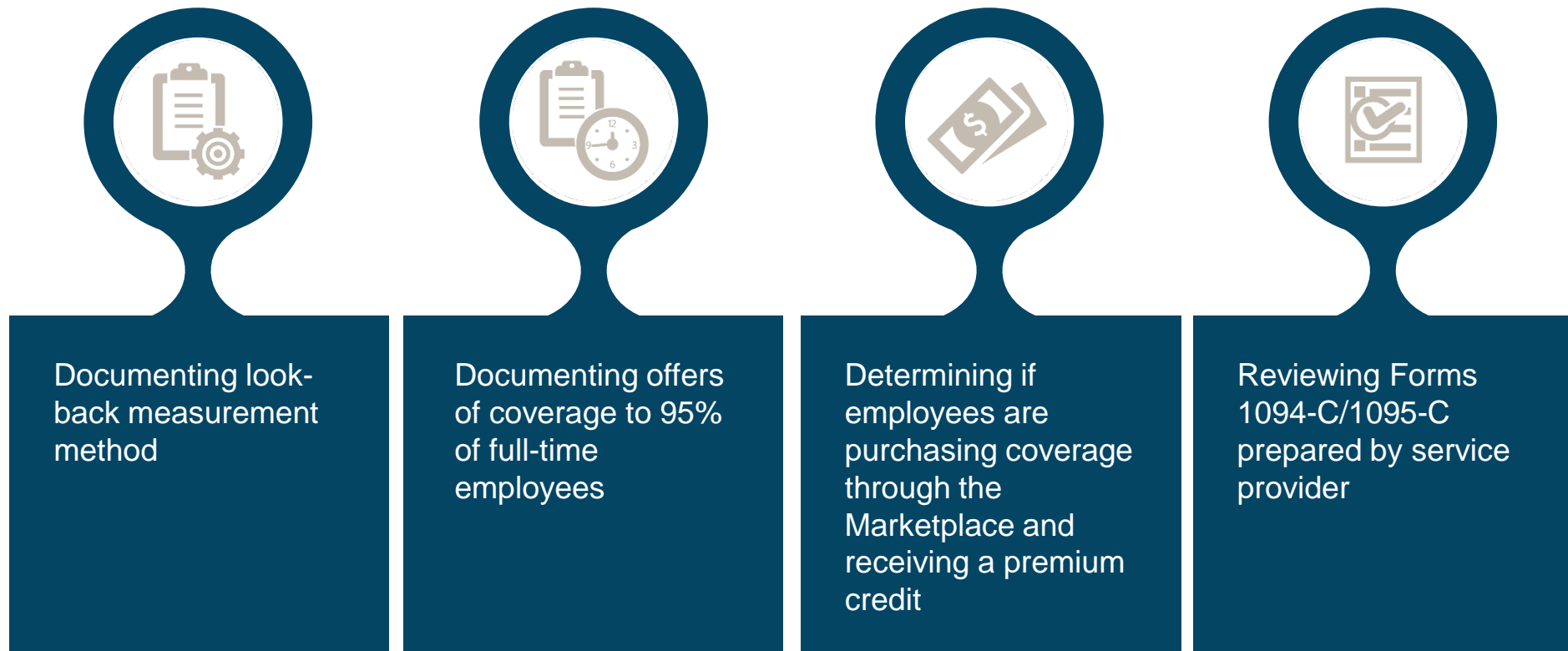


WHERE ARE WE WITH THE EMPLOYER MANDATE UNDER THE ACA?

Penalty assessments related to the 2015 calendar year

- Must respond timely
- Assessments have been incorrect
 - Incorrect Form 1094-C
 - Incorrect Form 1095-C
- Do you have the appropriate documentation?

WHERE ARE WE WITH THE EMPLOYER MANDATE UNDER THE ACA? What are Applicable Large Employers doing right/wrong?



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