

# Tax Reform & Planning Opportunities for Physicians, Dentists & Their Practices

Brian Newton, CPA,  
Elliott Tracy, CPA

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## Our Speakers

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**Brian Newton, CPA**  
[bnewton@ircpa.com](mailto:bnewton@ircpa.com)



**Elliott Tracy, CPA**  
[etracy@ircpa.com](mailto:etracy@ircpa.com)

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## Agenda

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- Individual
- Business
- Oregon Updates
- To “C” or not to “C”, that is the question

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## What We Know for Sure

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- Most significant tax reform in 30+ years
- “Tax simplification” is really complex – more to come
- Some changes permanent some temporary

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## What We Know for Sure

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- There will be less itemized taxpayers
- Most individual tax provisions will expire in 2025
- ACA individual mandate repealed... starting in 2019
- This won't be the last time tax law changes

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## *Individual Taxpayers*

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## Individuals

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- Tax brackets have changed
- Capital gains
- Standard deduction and personal exemptions

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## Individual Rates

Single	Post	Pre
10%	\$0 - 9,525	\$0 - 9,325
12%	\$9,526 - 38,700	
15%		\$9,326 - 37,950
22%	\$38,701 - 82,500	
24%	\$82,501 - 157,500	
25%		\$37,951 - 91,900
28%		\$91,901 - 191,650
32%	\$157,501 - 200,000	
33%		\$191,651 - 416,700
35%	\$200,001 - 500,000	\$416,701 - 418,000
37%	\$500,001 or more	
39.6%		\$418,001 or more

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## Individual Rates

Married filing joint	Post	Pre
10%	\$0 - 19,050	\$0 - 18,650
12%	\$19,051 - 77,400	
15%		\$18,651 - 75,900
22%	\$77,401 - 165,000	
24%	\$165,001 - 315,500	
25%		\$75,901 - 153,100
28%		\$153,101 - 233,350
32%	\$315,501 - 400,000	
33%		\$233,351 - 416,700
35%	\$400,001 - 600,000	\$416,701 - 470,700
37%	\$600,001 or more	
39.6%		\$470,701 or more

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## Individuals

- Business deduction (sole proprietors, partnerships, LLCs & S Corps) reported on individual return
- Standard deductions & exemptions
- Child Credits
- Itemized deductions

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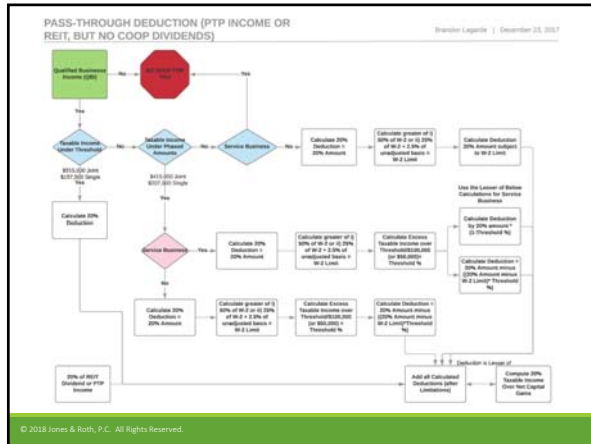
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### Example: High Income Earner (Business Owner)

Married Filing Joint	Current	Tax Reform
<b>Income</b>	\$750,000	\$750,000
<b>Itemized Deductions</b>	\$40,750	\$35,000
<b>Standard Deduction</b>	n/a	n/a
<b>Personal Exemptions</b>	n/a	n/a
<b>Business Deduction</b>		\$150,000
<b>Taxable Income</b>	\$709,250	\$565,000
<b>Marginal Tax Rate</b>	39.6%	35%
<b>Child Tax Credit</b>	n/a	n/a
<b>Tax</b>	\$225,007	\$149,229

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### Standard Deductions, Exemptions & Credits

Standard Deduction	Post	Pre
<b>Married/Filing Jointly</b>	\$24,000	\$12,700
<b>Single</b>	\$12,000	\$6,350
<b>Head of Household</b> -Sunset 12/31/2025	\$18,000	\$9,350
Exemptions	Post	Pre
<b>Personal Exemptions</b>	\$-0-	\$4,050
Credits	Post	Pre
<b>Child Tax Credit</b>	\$2,000 per child, with refundable amount of \$1,400  \$500 non refundable credit for non-child dependent.	\$1,000 per child

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## Itemized Deductions

Itemized Deductions	Post	Pre
<b>State &amp; Local Tax</b>	\$10,000 limit for total of property tax, state income tax, sales tax, other local taxes	Unlimited, unless subject to AMT
<b>Miscellaneous</b>	100 % disallowed	Over 2% of AGI for: unreimbursed employee expenses, tax prep fees, investment fees, etc.
<b>Mortgage Interest</b>	Interest on acquisition indebtedness (debt can not exceed \$750,000) Home equity interest not directly tied to home improved 100% disallowed	Interest on acquisition and home equity indebtedness (debt can not exceed \$1 million)
<b>Personal Casualty Loss</b>	Repealed except for losses incurred in Presidentially declared disaster	Loss as a result of fire, storm, shipwreck or other casualty loss that exceed 10% of AGI
<b>Charitable Contributions</b>	Increases limit to 60% AGI for cash paid to public charities.  Removed deduction for amounts paid for right to purchase tickets to athletic events	Limited to 50% of AGI  80% of amount paid for Athletic funds rights to purchase tickets

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## Itemized Deductions

Itemized Deductions	Post	Pre
<b>Moving Expenses</b>	Repealed except for those incurred by a member of the Armed Forces	Pre-AGI deduction for job-related moving costs
<b>Medical Expenses</b>	Out of pocket medical expenses that exceed 7.5% of AGI	Out of pocket medical expenses that exceed 10% of AGI
<b>Alimony Expenses</b>	Repealed for divorce decrees entered into after 1/1/15; Corresponding inclusion into income is also repealed	Above the line deduction for alimony paid and taxable income to receiver of alimony

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## Winners & Losers

- **Winners**
  - Most individuals will see a tax decrease in 2018
  - Super winner if you are a pass-through business owner and qualify for the 20% deduction
- **Losers**
  - UW / WASU Season Tickets Holders ; )
  - Individuals living in high income tax states
  - Individuals with high unreimbursed employee expenses
  - Professional service business owners (maybe)

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## Estate \* Gift \* GST

- Increase the basic exclusion to \$10 million for estates and gifts, indexed for inflation beginning in 2011
- Exemption for 2018 will be approximately \$11.2M
- Retain step up in basis
- Increased exemption sunsets 12/31/25



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## *Businesses*

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## Businesses

- Reduction in C Corporation tax rate
- Corporate AMT
- Bonus depreciation and Section 179

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## Corporate Tax

	Post	Pre	
<b>Corporate Tax Rates</b>	Changes graduated rates to a flat 21%, eliminates special tax rate (flat 35%) for personal service corporations	\$0-\$50,000 \$50,001-\$75,000 \$75,001-\$10,000,000 \$10,000,000	15% 25% 34% 35%

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## Bonus Depreciation

- Allows for 100% expensing of qualified property placed in service after September 27, 2017 and before January 1, 2023
- Extended through 2026, with 80% in 2023, 60% in 2024, 40% in 2025, and 20% in 2026
- Available to new and used qualified property purchases (previously was new only)
- Property acquired before September 28, but placed in service after September 27 would be subject to old law

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## 179 Business Expensing

- Increases expense amount to \$1,000,000 (2017 is \$510,000)
- Increases phase-out threshold to \$2,500,000 (2017 is \$2,030,000)
- Expands the definition of qualified real property eligible for section 179 to include certain improvements to nonresidential real property: roofs, heating, ventilation, and air conditioning property; fire protection and alarm systems; security systems.

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## Businesses

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- 1031 exchanges
- DPAD

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## Business Deductions

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- Repeals deduction for entertainment, amusement, recreation activities, facilities, or membership dues; retains 50% deduction on certain food/beverages
- Retains 100% deduction for recreational expenses for employees (e.g., Christmas party)
- Expense that are most vulnerable are client entertainment expenses
- Extends the 50% limit for meals provided for the employer's convenience on or near the employer's business premises.
- Repeals deduction for transportation fringes, most importantly, parking expenses

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## *Oregon Updates*

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## Oregon Updates

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- Senate Bill 1528
  - Created the OGF
  - QBID not allowed for Oregon
- Senate Bill 1529
  - Coupled with most of the Federal tax reform
- House Bill 2017
  - New employee statewide transit tax (one-tenth of one percent)
- House Bill 4301
  - Came out of 5/21/18 special session
  - Sole Proprietors now eligible for Oregon reduced tax rate (OR-PTE)

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*To “C” or  
Not to “C”, that is the  
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## Change to C Corp?

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- Case by case basis
- Things to keep in mind

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Q & A

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**Thank You!**



Brian Newton, CPA  
[bnewton@jrcca.com](mailto:bnewton@jrcca.com)



Elliott Tracy, CPA  
[etracy@jrcca.com](mailto:etracy@jrcca.com)

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