GORDON J. MAIER & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

845 WISCONSIN AVENUE
RACINE, WISCONSIN 53403

262-634-7108
262-634-5069 (Fax)
cpa@gjmllp.com (E-mail)
www.gjmllp.com (Web)

JOSEPH L. NIXA, CPA
JULIE A. CRAIG, CPA
MICHAEL P. SLYE, CPA
Richard J. Kutch, CPA

GEORGE L. GISSELL, CPA
FRANKLIN M. TRESCH, CPA

November 11, 2016

Taxes Under President-Elect Trump

What we know: Mr. Trump's proposed tax plan contains significant changes from the tax code that currently governs us. However, since Mr. Trump does not have any political record, and there is uncertainty of the cohesion between President Trump and the Republicans, we cannot say with certainty how much of Mr. Trump's tax plan, as proposed, will become law. Thus, we will highlight the most significant changes that he has proposed from his campaign as candidate for President.

Proposed Changes – Individual Income Tax (Examples based on Married Filing Jointly)

1. Reduce the number of tax brackets. The proposal would reduce the current seven tax brackets to three. The highest tax rate of 39.6 percent would be reduced to 33 percent.
    a. $75,000 and below: 12%
    b. Above $75,000 but less than $225,000: 25%
    c. Above $225,000: 33%
2. The standard deduction would increase significantly from $12,600 in 2016 to $30,000. However, the plan eliminates the personal exemptions as well as the head-of-household filing status. Unfortunately, this presents a significant possibility that numerous filers would see a lower combined total of deductions and exemptions, especially for a family with a significant mortgage interest deduction, real estate tax bill and children as exemptions. Lastly, itemized deductions would be capped at $200,000 and half of that for single tax payers. The result is that taxpayers would experience different implications on a case by case basis regarding deductions and exemptions.
3. Capital Gains rates remain the same.
4. The alternative minimum tax (AMT) would be repealed
5. Repealing Obamacare would remove the 3.8% Obamacare tax on investment income.
6. The death tax is proposed to be repealed. However, capital gains held until death and valued over $10 million would still be subject to tax. Small businesses and family farms would be exempt. Additionally, contributions of appreciated assets into a private charity established by the decedent or the decedent's relatives would be disallowed.
7. A new childcare deduction that would be deducted from gross income to arrive at adjust gross income, AGI is proposed. It would be for children under age 13 and would be capped at a state average for the age of the child. Earners over $500,000 MFJ would not be allowed to take the benefit. It would be limited to 4 children per tax year. Similarly, it would also be available for eldercare.
8. Spending rebates would be made available to low-income taxpayers through the Earned Income Tax Credit (EITC). It would cover 7.65% of remaining childcare expenses not covered by the

new childcare deduction. It would be limited to half of the payroll taxes paid by the taxpayer based on the lower earner in a two-parent household.

9. All taxpayers would be granted to option to establish Dependent Care Savings Accounts (DCSA) with a limit of $2,000 per year from all sources. Accounts established for children and not exhausted by time the child reaches 18 years of age, can be used for educational expenses. Lower income families would be provided with a government incentive of a 50% percent match on parental contribution up to $1,000 per year. EITC refunds can be directly deposits into these savings accounts.

Proposed Changes – Business Taxes

1. The business tax rate would decrease from a tiered top rate of 35% to a flat 15%.
2. The corporate alternative minimum tax would be abolished.
3. Trump's plan states that the tax rate would apply to businesses both large and small, but specifics are not detailed. It is possible, that owners of pass-through entities, could elect to be taxed at a flat rate of 15 percent on their pass-through income. If so, it is proposed that there would be rules that would restrict pass-through owners from converting compensation into corporate profits to take advantage of preferential tax rates.
4. Corporate profits held offshore could be repatriated to the United States at a one-time tax rate of 10 percent.
5. An unknown amount of corporate tax expenditures deductions would be eliminated, except for the R&D credit in exchange for the lower corporate tax rate.
6. Section 179 expensing would increase from $500,000 to $1 million.
7. Businesses would receive an increase in the tax credit for on-site childcare along with a reduction in the recapture period.
8. Manufacturers would be able to immediately deduct all new investments into the business in lieu of deducting interest expenses.

Check back with us as we will continue to post updates as any changes are made in the future.