

# Anchin Alert

**Anchin, Block & Anchin LLP**  
**Accountants and Advisors**



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## **Election Outcome Likely to Result in Major Tax Law Changes**

The election of Donald Trump as President of the United States, along with Republicans retaining control of both chambers of Congress, will likely result in an overhaul of the U.S. tax code.

Based on Trump's tax reform plan released earlier this year, tax law changes may include a reduction in tax rates for some individual taxpayers and corporations, the elimination of several tax breaks, a restructuring of U.S. taxes on income from abroad, the elimination of the estate tax, and a partial or full repeal of the Affordable Care Act.

### **Political Capital and Control**

Even though Trump won the Electoral College, he lost the popular vote by a slim margin, thus possibly limiting his political capital. Republicans retained control of the Senate but didn't reach the 60 members necessary to become filibuster-proof. So their simple majority may not be enough to pass legislation in the Senate. In the House, Republicans retain control by a margin similar to their current one.

This outcome likely will result in a greater opportunity to enact significant tax law changes in the coming year. Yet it also likely will require Republicans to compromise on some issues in order to get their legislation through the Senate.

### **Proposed Tax Changes for Individuals and Businesses**

President-elect Trump's tax reform plan includes the following changes that would affect individuals:

- Reducing the number of income tax brackets from seven to three, with rates on ordinary income of 12%, 25% and 33%, and adapting the current rates on long-term capital gains and qualified dividends for the new brackets,
- Eliminating the head of household filing status,
- Abolishing the net investment income tax,
- Eliminating the personal exemption (though expanding child-related breaks),
- More than doubling the standard deduction, to \$15,000 for singles and \$30,000 for married couples filing jointly,
- Capping itemized deductions at \$100,000 for single filers and \$200,000 for joint filers,
- Abolishing the alternative minimum tax, and
- Abolishing the federal gift and estate tax, but disallowing the step-up in basis for estates worth more than \$10 million.

Proposed changes that would affect businesses and their owners include:

- Reducing the top corporate income tax rate from 35% to 15%,
- Abolishing the corporate alternative minimum tax,
- Allowing owners of flow-through entities to pay tax on business income at the proposed 15% corporate rate rather than their own individual income tax rate, although there seems to be ambiguity on the specifics of how this provision would work,

- Eliminating the Section 199 deduction, also commonly referred to as the manufacturers' deduction or the domestic production activities deduction, as well as most other business breaks – but, notably, not the research credit,
- Allowing U.S. companies engaged in manufacturing to choose the full expensing of capital investment or the deductibility of interest paid, and
- Enacting a deemed repatriation of currently deferred foreign profits at a 10% tax rate.

Bear in mind that uncertainty has surrounded the details of President-elect Trump's tax reform plan. However, during the course of the campaign, some of its provisions coincide with the House Republicans' tax plan.

## Planning Uncertainties

With President-elect Trump soon to be in the White House and continued Republican control of the Senate and the House, major tax law changes likely are on the horizon. However, at this time it's difficult to determine which provisions of the ambitious tax reform plan will be signed into law. This uncertainty makes tax planning difficult. We can help you to develop a plan that can take into account all of the variables.

## 2016 - 2017 Tax Planning Guide

Our complimentary [2016 Tax Guide](#) is designed to stimulate conversations. The guide includes tax planning strategies for investors, families and business owners, as well as education, retirement, estate planning and other tax saving opportunities. The on-line guide will be updated regularly to reflect any changes that are made in tax law on the federal level. For more information, click [here](#).



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