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We are now well into the third quarter of 2016 and we continue to wrap up the 2015 tax filing year. The corporate, partnership, and fiduciary income tax return extension deadline is September 15, 2016, while the individual return deadline date is October 17, 2016. We sincerely appreciate all of our clients' cooperation in getting us the information we need to complete the returns in a timely manner.

With 2016 being an election year, Wolters Kluwer has prepared a 2016 election briefing highlighting the tax policies of the major candidates for president of the United States. We would like to devote this newsletter to providing the highlights from this briefing.

NOTE: Between the date of publication of this

PRESIDENTIAL CANDIDATES DESCRIBE TAX POLICIES

Income Tax Rates: Under current law, individual income tax rates are 10, 15, 25, 28, 33, 35 and 39.6 percent. *Clinton:* Clinton has proposed a four percent "Fair Share Surcharge" on the "top 0.02 percent of taxpayers on their incomes over \$5 million per year". Clinton also has endorsed the so-called "Buffett Rule", to ensure that "no millionaire would pay a lower effective rate than their secretary". *Trump:* Trump has proposed three individual tax rates: 12, 25 and 33 percent.

Alternative Minimum Tax: For federal tax purposes, a parallel tax structure, the AMT, exists to ensure that individuals, corporations, estates, and trusts with substantial income do not avoid tax liability. *Clinton:* Clinton's campaign materials do not describe any changes to the AMT. *Trump:* Trump has proposed to eliminate the AMT.

REMINDER:

Individual Estimated Income Tax payments are due September 15, 2016.

briefing and Election Day, the positions of the candidates may change. This briefing was based upon what is considered accurate, nonpartisan and unbiased information provided by the candidates and in no way reflects the views of this office.

Net Investment Income Tax . The Affordable Care Act (ACA) imposes a 3.8 percent tax on net investment income (NII tax) of qualified taxpayers with income above certain threshold amounts. *Clinton:* Clinton has expressed her support for the ACA, and presumably this includes the NII tax. *Trump:* Trump has proposed to repeal the ACA, and has not mentioned any specific carryover of the NII tax.

Additional Medicare Tax. The ACA imposes an additional Medicare Tax on qualified taxpayers with incomes above certain threshold amounts. *Clinton:* Clinton has expressed her support for the ACA, and presumably this includes the Additional Medicare Tax. *Trump:* Trump has proposed to repeal the ACA, and presumably this includes the Additional Medicare Tax.

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Federal Estate Tax. For estates of decedents dying after December 31, 2012, the maximum federal estate tax rate is 40 percent with an inflation-adjusted \$5 million exclusion (inflation-adjusted to \$5.45 million in 2016). *Clinton:* Clinton has proposed to restore the federal estate tax to the parameters in effect in 2009 (a maximum estate tax rate of 45 percent with a \$3.5 million exclusion). *Trump:* Trump has proposed to repeal the federal estate tax.

INDIVIDUAL TAX INCENTIVES

Both candidates have proposed measures addressing certain individual tax deductions and credits.

Child Tax Incentives – Both candidates have proposed tax incentives for taxpayers with children. *Clinton:* Clinton has proposed up to a \$1,200 tax credit for caregiver expenses. The Democratic Party platform has proposed that the “child tax credit should be expanded, for example, by making more of it refundable, or indexed to inflation.” *Trump:* Trump has proposed to “help reduce the cost of childcare by allowing parents to fully deduct the average cost of childcare spending from their taxes”.

Education: Education incentives include the American Opportunity Tax Credit (AOTC), the Lifetime Learning credit, the tuition and fees deduction, the deduction for student loan interest and, among others. *Clinton:* Clinton’s campaign materials do not describe any specific changes to the AOTC or other education incentives. However, Clinton has called for tax relief from college costs for middle-income families. *Trump:* Trump’s campaign materials do not specifically discuss the AOTC or other education incentives over and above capping deductions and credits based upon tax bracket.

Charitable Giving and Mortgage Interest Deduction.

Neither Clinton or Trump have proposed any changes to the charitable giving deduction or the current mortgage interest deduction.

Pease Limitation/Personal Exemption Phaseout. The Pease limitation reduces the total amount of a higher-income taxpayer’s otherwise allowable itemized deductions, subject to certain limitations. The Personal Exemption Phaseout (PEP) reduces the total amount of exemptions that

may be claimed by higher-income taxpayers. *Clinton:* Clinton has proposed to limit the value of itemized deductions to 28 percent for higher-bracket taxpayers. *Trump:* Trump has proposed to “steepen the curve of the Personal Exemption Phaseout and Pease Limitation on itemized deductions”.

BUSINESS TAXATION.

Corporate Tax Rate. The maximum corporate tax rate currently tops out at 35 percent. *Clinton:* Clinton’s campaign materials do not describe any specific change to the corporate tax rate. Clinton has called for unspecified measure to “broaden the tax base” in order to lower the rate as a necessary component to being more competitive in the global economy. *Trump:* Trump has proposed to reduce the maximum corporate tax rate to 15 percent. Trump would also tax all business income at the 15 percent rate, including income passed through from S corporations and partnerships, or earned by freelancers.

Small Businesses. Both candidates have tax proposals for small businesses. *Clinton:* Clinton has stated that she will release new plans to “simplify tax filings for millions of small businesses.” Clinton would also promote immediate expensing for small businesses. *Trump:* Trump has proposed a new “business income tax rate within the personal income tax code that matches the 15 percent corporate tax rate”.

Business Tax Incentives. *Clinton:* Clinton has proposed a tax credit for businesses that hire apprentices at \$1,500 per apprentice and a “bonus on that tax credit to businesses providing opportunities specifically for young people”. *Trump:* Trump has proposed “reducing or eliminating some corporate loopholes that cater to special interests, as well as deductions made unnecessary by the new lower tax rate on corporations and business income”. Additionally, Trump has proposed “to allow businesses to immediately expense new business investments”.

