

# HUDSON POPE PLLC

CERTIFIED PUBLIC ACCOUNTANT

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## SPECIAL ANNOUNCEMENT

Hudson Pope, PLLC would like to congratulate Sarah Flynn, who joined us in 2014 as a staff accountant, for receiving her CPA license in both North Carolina and Pennsylvania.

## Year End News

As we approach the end of 2016, we first would like to take this opportunity to wish all of you and yours a joyous holiday season. It has been our privilege to work with you this year and we thank each of you for your continued support and allowing us to serve you.

Several of our clients receive tax organizers to help in gathering their information to complete their individual tax returns. This year we would like to offer our clients the option of receiving their organizers via e-mail. If you would prefer to receive your organizer by

e-mail, please let Marilyn Reynolds know by January 2, 2017 at [marilyn.reynolds@hudsonpope.com](mailto:marilyn.reynolds@hudsonpope.com). If we do not hear from you, we will mail your organizer as usual.

This newsletter is our post-election client letter which will highlight some of the President-elect's tax proposals. At the same time the end of the year may bring some tax law changes before President Obama leaves office.

## 2016 Post-Election Client Letter

During the campaign, President-elect Trump called for reducing the number of individual income tax rates, lowering the individual income tax rates for most taxpayers, lowering the corporate tax rate, creating new tax incentives, and repealing the Affordable Care Act (ACA) (including presumably the ACA's tax-related provisions). The President-elect, in his campaign materials, highlighted several goals of tax reform: (1) Tax relief for middle class Americans; (2) simplify the tax code; (3) grow the American economy; and (4) do not add to the debt or deficit. President elect Trump also identified during the campaign a number of tax-related proposals that he intends to pursue during his first 100 days in office:

1. The Middle Class Tax Relief and Simplification Act: According to Trump, the legislation would provide middle class families with two children a 35 percent tax cut and lower the "business tax rate" from 35 percent to 15 percent. (2) Affordable Childcare and Eldercare Act: A

### REMINDER:

Individual Estimated Income Taxes are due January 16, 2017. If you have been itemizing deductions in the past, you may want to consider paying your North Carolina estimate by December 31, 2016, in order to receive the deduction in 2016.

proposal described by Trump during the campaign would allow individuals to deduct childcare and elder care from their taxes, incentivize employers to provide on-site childcare and create tax-free savings accounts for children and elderly dependents. (3) Repeal and Replace Obamacare Act. A proposal made by Trump during the campaign would fully repeal the ACA. (4) American Energy & Infrastructure Act: A proposal to "leverage public-private partnership, and private investments through tax incentives to spur \$1 trillion in infrastructure investment over 10 years."

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**Individual Income Taxes.** The last change to the individual income tax rates was in the *American Taxpayer Relief Act of 2012* (ATRA), which raised the top individual income tax rate. President-elect Trump proposed a new rate structure of 12, 25, and 33 percent: (1) Current rates of 10 percent and 15 percent = 12 percent under new rate structure (2) Current rates of 25 percent and 28 percent = 25 percent under the new rate structure (3) Current rates of 33 percent, 35 percent and 39.6 percent = 33 percent under the new rate structure. During the campaign, President-elect Trump did not detail the precise income levels within which each bracket percentage would fall, instead generally estimating for joint returns a 12 percent rate on income up to \$75,000; a 25 percent rate for income between \$75,000 and \$225,000; and 33 percent on income more than \$225,000 (brackets for single filers will be half those dollar amounts) and low income Americans would have a 0 percent rate.

**AMT and more.** President-elect Trump proposed during the campaign to repeal the alternative minimum tax (AMT). The last time Congress visited the AMT, lawmakers voted to retain the tax but to provide for inflation-adjusted exemption amounts. During the campaign, Trump proposed to repeal the federal estate tax. The unified federal estate and gift tax currently starts for estates valued at \$5.490 million for 2017 (essentially double at 10.980 million for married individuals). Trump, however also proposed a "carryover basis" rule for inherited stock and other assets from estates of more than \$10 million. This additional proposal has already been criticized by some Republican members of Congress, while some Democrats have raised repeal of the federal estate tax as a non-starter. Other proposals made by President-elect Trump during the campaign would limit itemized deductions, eliminate the head-of-household filing status and eliminate all personal exemptions. Trump also has called for increasing the standard deduction. Under Trump's plan, the standard deduction would increase to \$15,000 for single individuals and to \$30,000 for married couples filing jointly. In contrast, the 2017 standard deduction amounts under current law are \$6,350 and \$12,700 respectively, as adjusted for inflation.

**Health Care.** The Affordable Care Act (ACA) created a number of new taxes that impact individual and businesses. These taxes range from an excise tax on medical devices to taxes on

high-dollar health insurance plans. The ACA also created the net investment income (NII) tax and the Additional Medicare Tax, both of which generally impact higher income tax payers. The ACA also made significant changes to the medical expenses deduction and other rules that affect individuals. President-elect Trump made repeal of the ACA one of the centerpieces of his campaign. Trump said he would call a special session of Congress to repeal the ACA.

**Business tax proposals.** On the business front, President-elect Trump highlighted small businesses, the corporate tax rate, and some international proposals during his campaign. Additionally, along with simplification, President-elect Trump also proposed the reduction of taxes for small businesses. Particularly for small businesses, Trump has proposed a doubling of the Code Sec. 179 small business expensing election to \$1 million. Trump has also proposed the immediate deduction of all new investments in a business, which has also been endorsed by Congressional tax reform/simplification advocates. The current top corporate tax rate is 35 percent. President-elect Trump called during the campaign for a reduction in the corporate tax rate to 15 percent. He also proposed sharing that rate with owners of "pass through" entities (sole proprietorships, partnerships and S corporations), but only for profits that are put back into the business. Based upon campaign materials, a one-time reduced rate would also be available to encourage companies to repatriate earnings of foreign subsidiaries that are held offshore.

## Year-End 2016

More immediately the calendar is quickly turning to 2017. Congress will meet for a "lame-duck" session and is expected to take up tax legislation. Some legislation to be considered are: (1) Legislation to renew some expiring tax extenders, especially energy extenders; (2) Legislation to fund the federal government, including the IRS, through the end of the 2017 fiscal year; (3) Legislation to enhance retirement saving for individuals; (4) Legislation to help citrus farmers, small businesses and more. Some of these bills, if passed and signed into law, could impact year-end tax planning. The expiring extenders include the popular higher tuition and fees deduction along with some targeted business incentives.



**Customer Name**  
**Street Address**  
**City, ST ZIP Code**