Family Offices
Year-End Income Tax Planning in Light of Potential Tax Changes

December 5, 2017

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First in First Out Accounting

Now only applies on an account by account basis

If one has multiple lots whose basis is quite varied

Split up accounts in 2017 when you can still identify specific lots

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Mortgage & Home Equity Interest ?

Pre 2018 borrowings are grandfathered

Take out a home equity loan

(they are not deductible if taken in 2018 or after)

Refinance any home mortgage above $500,000

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Accelerate Income into 2017?

Yes, if in a high tax state AND not in the AMT

<u>Ordinary Income</u>

12% Tax Rate= 10.2% After tax ROI

If 2018 is 38.5% not 39.6%= 7.89% AT ROI

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Accelerate Income into 2017?

Even more attractive for gains

<u>Long –term capital gain</u>

12% Tax Rate= 15.48% After tax ROI

If 2018 is 38.5% not 39.6%= 11.93% AT ROI

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2017 Purchases

Buy that electric car

($7,500 tax credit this year)

Start the 1031 exchange on your plane

(1031s limited to real property in 2018 and beyond)

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Effect on Investments

Because of the elimination of the
State and Local Tax deduction

US treasuries become more attractive
As do in-state munis

(expect a surge in Muni issuance this month)

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Effect on Investments

REIT holders get the lower pass-through tax rate

So do MLP holders

BUT not if the taxpayer is a Trust!

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Effect on Investments

Dividends from inverted companies will NOT be able to be Qualifying Dividends

Medtronic,Eaton,Allergan, Johnson Controls

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Accelerate Income into 2017?

A 2017 Roth Conversion?

Reduced after tax cost of State and Local Taxes

and

The ability to re-characterize the Roth

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