With only weeks left to go in this unfamiliar 2018 post-tax reform landscape, many taxpayers are reflecting on what action steps are needed before year-end. Here are some critical points to consider:

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Impact of Tax Reform

Have you analyzed your tax situation through the lens of tax reform, or better yet – met with your CPA to discuss how tax reform might affect you? Sweeping changes made by the Tax Cuts & Jobs Act to individual, business, and trust & estate tax law require careful consideration and planning to avoid surprises at tax time. Keep these points in mind:

- **Will you "itemize"?** – Under pre-tax reform law, approximately 30% of Americans itemized their deductions. Due to the near-doubling of the standard deduction to $24,000 for married couples and $12,000 for individuals (up from $12,700 and $6,350, respectively, under prior law), it is estimated that only 10% of Americans will itemize their deductions post-tax reform. Additionally, several other notable changes were made to itemized deductions, including a new $10,000 deduction limit on state & local taxes paid, which will severely limit the deduction for many taxpayers. The "2% Miscellaneous Itemized Deductions" category, which includes unreimbursed employee expenses, tax preparation fees and investment management fees, was eliminated as well. Personal exemptions were completely eliminated, offsetting some of the increased standard deduction's benefits. All of these factors in combination will determine whether or not you take the standard deduction, based on your own particular tax situation.

- **Lower Tax Rates** – Most tax brackets were adjusted and corresponding tax rates decreased under tax reform. The top tax rate was decreased from 39.6% to 37% for individuals and trusts & estates. C Corporations will enjoy a new flat tax rate of 21%. There are pockets of taxpayers who will see an increase in their top marginal tax rate, although they will still most likely see a decrease in their overall tax bill due to the lower brackets being widened and rates decreased.

- **Perks for Dependents** – Taxpayers with dependent children under age 17 will surely appreciate the doubled child tax credit – a $2,000 benefit per child, up from $1,000. The income phase-out limits have been substantially increased as well ($400,000 for a married couple and $200,000 for all other taxpayers), which will allow many more taxpayers to receive the full benefit of the child tax credit.

- **A new $500 "Credit for Other Dependents"** has been introduced for those dependents who do not qualify for the child tax credit, such as college students and aging parents who live with the taxpayer.

Lumping, Bunching & Harvesting

In light of changes to the standard deduction, taxpayers are faced with decisions on the timing of making donations and paying for deductions. "Lumping" itemized deductions or "bunching" charitable donations into specific time periods can help push taxpayers over the threshold for itemizing in a given year. For example, instead of making smaller annual gifts to charities, taxpayers could donate a larger amount to donor-advised fund and receive the entire charitable deduction in one year (therefore having enough deductions to itemize), then in future years take advantage of the higher standard deduction.

Harvesting capital gains or losses from investments is another popular tax planning tool. Be sure to discuss your specific needs with your Relationship Manager, Portfolio Manager and accountant.

Qualified Charitable Distributions from IRAs

Are you age 70 ½ or older and own an IRA? Consider making a donation to charity under the "Qualified Charitable Distribution" (QCD) rules and enjoy several tax benefits:

- QCD donations can satisfy your Required Minimum Distribution (RMD) for the year. If you do not want or need your RMD amount and are charitably-inclined, making a QCD donation out of your IRA is a great alternative to donating cash.
- QCD donations are tax-free and do not cause any additional tax liability, unlike a normal IRA distribution. No corresponding charitable deduction is taken as an itemized deduction, however.
- The QCD treatment for a donation made out of an IRA is especially powerful for those taxpayers who will not have enough deductions to itemize in 2018.

QCDs have specific requirements that must be followed, so be sure to discuss this technique with your Relationship Manager and accountant if you are interested.

Death & Taxes

Benjamin Franklin said there were only two things certain in life: death and taxes. While the estate tax was not repealed as we had hoped for, the lifetime estate and gift tax exclusion amount doubled from $5 million per person to $10 million per person (adjusted annually for inflation, to $11.18

million in 2018 and $11.4 million in 2019). For a married couple in 2018, that's $22.36 million that can be shielded from estate and gift tax.

If your estate planning or trust documents were drafted before tax reform, it's a good idea to revisit the structure with your Relationship Manager or attorney and confirm that you will reach the desired outcome upon your death. This is particularly important for those taxpayers who have credit shelter and marital trusts established before tax reform.

Run the Numbers

As we near year-end, the bottom line is to run the numbers. Should you accelerate some deductions, defer income, or vice versa? Should you adjust your tax withholding or estimated tax payments? Spending some time to plan for next tax season will afford you the opportunity to make any necessary changes before year-end.