Individual income tax planning

With the potential for tax reform on the horizon, your peripheral view may include glimpses of changes in individual income tax rates or deductions. However, as you consider individual income tax planning matters, your current goals and objectives need to be front and center. Do not let the potential for tax reform distract you from what is in plain view, because those distractions may turn out to be very costly.

Now is the time for you to take another look at tax planning for your 2017 and 2018 individual tax matters. Concentrate your view on planning that is available to you today, based on current law, with an eye toward what issues and opportunities tax reform may create for you tomorrow. This will lead you down the path to realizing a more tax-efficient result for you and your family.
Individual income tax planning

Today's increased tax rate environment

There are three lenses through which we can look again at individual income tax planning. First, we can examine how today's increased tax rate environment came to be. This gives perspective on how rates have differed for various types of income over the years. Then we can examine the current tax environment and how you can plan for potential income recognition or timing of controllable deductions. Finally, we can examine possibilities for tax reform and how that may reframe the picture of tax planning.

It has been said that the tax tail should not wag the dog. What that means is that though our tax rate structure has evolved over the past two decades, your investment and financial goals should remain front and center to create the best view for your tax planning. Within that view, there are certain planning opportunities that are unique to the current tax environment and should not be overlooked due to the potential for tax reform. The potential for reform should not paralyze planning, but should compel it. Failing to acknowledge potential tax issues means that you could have a less efficient tax result. As the potential for tax reform evolves, what you truly need to understand are the planning options that exist based on your unique overall financial view.

**Increased individual income tax rate environment: Look again at how we got here**

As you will see in the following chart, significant changes to individual income tax rates have occurred in a relatively short period of time. This has included both increasing tax rates for ordinary income and capital gains, along with adjusting the phaseout of itemized deductions. Each shift has affected the options available for planning. At times, it may also have shifted your financial objectives by examining the income or deductions to which a particular investment may give rise. Therefore, we will briefly explain how the existing increased individual income tax rate environment came to be.
Individual income tax planning

Today's increased tax rate environment

2013
Patient Protection and Affordable Care Act (PPACA) passed 2010, effective 2013

- While passed in 2010, the PPACA imposed the following taxes, effective as of January 1, 2013, for taxpayers with adjusted gross income (AGI) over the applicable threshold ($200,000 for single filers)/$250,000 for married filing joint):
  - 3.8 percent net investment income tax (NIIT) on the net investment income of individuals, estates, and trusts
  - 0.9 percent increase (from 1.45 percent to 2.35 percent) on the employee share of Medicare taxes imposed on earned income by the Federal Insurance Contributions Act Hospital Insurance (FICA-HI)

2012
American Taxpayer Relief Act of 2012 (ATRA)

- Permanently extended the reduced tax rates for lower- and middle-income taxpayers, but allowed the top tax rates to increase and return to pre-EGTRRA levels for upper-income taxpayers
- Permanently increased the top rate on income from capital gains and qualified dividends to 20 percent
- Permanently extended the limitation on itemized deductions, commonly known as the Pease limitation and the personal exemption phaseout (PEP), for single taxpayers with AGI over $250,000, or $300,000 for married filing jointly (MFJ) filers
- Permanently indexed the alternative minimum tax (AMT) exemption amount to inflation to eliminate the needs for an annual patch

2010
Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (TRUIRJCA)

- Extended the fully phased-in EGTRRA rate reductions and repealed the Pease and PEP limitations for two additional years, through 2012
- Extended the JGTRRA changes with respect to capital gain and dividend income for two additional years

2003
Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA)

- Accelerated certain tax changes passed under EGTRRA
- Lowered from tax rate on dividends and capital gains
- Increased the exemption amount for the individual AMT

2001
Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

- Phased in a reduction in ordinary and capital gains tax rates over nine years
- Phased out the Pease limitation and PEP
- Created the concept of qualified dividends with a preferential tax rate
- Sunset provision of EGTRRA meant as of January 1, 2011, everything would revert back to pre-EGTRRA levels
Individual income tax planning

Look again at current tax rates by type of income

Now that we have briefly examined how the current increased income tax environment came to be, we will discuss the various rate components based on the type of income being taxed.

<table>
<thead>
<tr>
<th>Categories of income</th>
<th>Categories of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary income</td>
<td>Income tax</td>
</tr>
<tr>
<td>Qualified dividends</td>
<td>Self-employment</td>
</tr>
<tr>
<td>Capital gains</td>
<td>Alternative minimum tax (AMT)</td>
</tr>
<tr>
<td></td>
<td>Health care taxes</td>
</tr>
<tr>
<td></td>
<td>State and foreign taxes</td>
</tr>
</tbody>
</table>

Ordinary income tax rates
If your primary source of income comes from employment, then you will generate ordinary income in the form of wages, salaries, tips, commissions, bonuses, and other types of compensation. Other investments may also generate ordinary income in the form of interest, nonqualified dividends, net income from a sole proprietorship, partnership or limited liability company (LLC), rents, royalties, or gambling winnings. For 2017 (and 2018), the top marginal ordinary income tax rate is 39.6 percent for single taxpayers with income more than $418,400 ($426,700) and married taxpayers with income more than $470,700 ($480,050). Ordinary tax rates continue to range from 10 percent to 39.6 percent and will remain in place permanently until further reform.

Tax rates on qualified dividends
We will refer to qualified dividend income as tax preferential income since the top qualified dividend rate is 20 percent for taxpayers in the top 39.6 percent bracket. This is in contrast to the 39.6 percent top rate assessed on ordinary income. For taxpayers in the 25 percent through 35 percent ordinary income tax brackets, the top rate on their qualified dividend income is 15 percent. For those taxpayers in the two lowest ordinary income tax brackets, their qualified dividend rate is zero percent. Note that in addition to these rates, qualified dividends may also be subject to the 3.8 percent NIIT.

Long-term capital gains tax rates
If you have invested in a capital asset, then the gain on the sale or exchange of such an asset results in capital gain. The long-term capital gains tax rate, assessed on capital assets held for greater than one year, is 20 percent for taxpayers in the top 39.6 percent tax bracket, 15 percent for taxpayers in the 25 percent through 35 percent tax brackets, and zero percent for those taxpayers in the two lowest tax brackets. Given the reduced rates on long-term capital gains, we will also refer to this income as tax preferential income.
Individual income tax planning

Individual income tax rates by type of income

Given the tax preferential nature of long-term capital gain income, special attention should be given to the holding period of an asset to take full advantage of the long-term capital gain rates. Certain sales of capital assets do not qualify for the lower capital gains rate. A short-term capital gain—or gain on the sale of an asset held for one year or less—is still a capital gain, but is taxed at ordinary income tax rates. Although short-term capital gains are taxed at the same rate as ordinary income, a benefit to short-term capital gains is that they can be offset with capital losses since an individual will net his or her capital gains and losses in arriving at their total capital gain income. Note that if capital losses exceed capital gains, a taxpayer can only deduct up to $3,000 of net capital losses against other income—the balance of their net capital loss is to be carried forward to future years.

Gains from installment sales are taxed at the rate in effect on the date an installment payment is received. Collectibles remain subject to a 28 percent maximum rate.

It is important to remember that more than one type of tax may apply to the same character of income. Therefore, we will now discuss additional taxes that may apply, including employment taxes, AMT, and NIIT.

Holding period

<table>
<thead>
<tr>
<th>Year</th>
<th>0</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term</td>
<td>1 year or less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term</td>
<td>More than 1 year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Individual income tax planning

**Today’s increased tax rate environment**

2017 and 2018 federal income tax brackets

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Married filing joint</th>
<th>Ordinary income</th>
<th>Capital gains</th>
<th>PPACA taxes</th>
<th>NIIT</th>
<th>FICA-HI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0–$9,325</td>
<td>$0–$18,650</td>
<td>10%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $9,325–$37,950</td>
<td>over $18,650–$75,900</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $37,950–$91,900</td>
<td>over $75,900–$153,100</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $91,900–$191,650</td>
<td>over $153,100–$233,350</td>
<td>28%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $191,650–$416,700</td>
<td>over $233,350–$416,700</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $416,700–$418,400</td>
<td>over $416,700–$470,700</td>
<td>35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $418,400</td>
<td>over $470,700</td>
<td>39.6%</td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Married filing joint</th>
<th>Ordinary income</th>
<th>Capital gains</th>
<th>PPACA taxes</th>
<th>NIIT</th>
<th>FICA-HI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0–$9,525</td>
<td>$0–$19,050</td>
<td>10%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $9,525–$38,700</td>
<td>over $19,050–$77,400</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $38,700–$93,700</td>
<td>over $77,400–$156,150</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $93,700–$195,450</td>
<td>over $156,150–$237,950</td>
<td>28%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $195,450–$424,950</td>
<td>over $237,950–$424,950</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $424,950–$426,700</td>
<td>over $424,950–$480,050</td>
<td>35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over $426,700</td>
<td>over $480,050</td>
<td>39.6%</td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If AGI is over $200,000 single/$250,000 MFJ.
Individual income tax planning

Self-employment tax

If your income is generated by operating a business as a sole proprietor, a partner in a partnership, or a member of a multimember LLC, you usually are subject to self-employment tax in addition to your ordinary income tax. The self-employment tax rate is 12.4 percent for Social Security tax on self-employment income up to $127,200 for 2017 ($128,700 for 2018) and 2.9 percent for Medicare taxes on all self-employment income. These taxes are in addition to the FICA-HI tax. Once self-employment tax has been calculated, then half of that amount is deductible when calculating overall AGI for that year.

Self-employment taxes vs. FICA taxes

<table>
<thead>
<tr>
<th>FICA</th>
<th>2017 base</th>
<th>2018 base</th>
<th>Employee rate</th>
<th>Employer rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>$127,200</td>
<td>$128,700</td>
<td>6.20%</td>
<td>6.20%</td>
<td>12.40%</td>
</tr>
<tr>
<td>Medicare</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>1.45%</td>
<td>1.45%</td>
<td>2.90%</td>
</tr>
<tr>
<td>FICA-HI</td>
<td>$200,000 single</td>
<td>$200,000 single</td>
<td>0.90%</td>
<td>N/A</td>
<td>0.90%</td>
</tr>
<tr>
<td></td>
<td>$250,000 MFJ</td>
<td>$250,000 MFJ</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>8.55%</td>
<td>7.65%</td>
<td>16.20%</td>
</tr>
</tbody>
</table>
The AMT has evolved into an unwieldy system that continues to ensnare millions of unsuspecting taxpayers and, as a result, the repeal of AMT is frequently debated as part of potential tax reform.

AMT is imposed at a nearly flat rate on an adjusted amount of taxable income above a certain threshold, which is also known as an exemption. The exemption is substantially higher than the exemption from regular income tax. The AMT exemption is indexed for inflation and phased out as taxpayers reach higher levels of AMT income. For 2017 (and 2018), the AMT exemption amount for single filers is $54,300 ($55,400) and begins to phase out at $120,700 ($123,100). It is $84,500 ($86,200) for MFJ filers, for whom the exemption begins to phase out at $160,900 ($164,100).

The ability to apply most nonrefundable personal credits (including the Dependent Care Credit, the credit for the elderly and disabled, the credit for interest on certain home mortgages, and the Hope Education Credit) against the AMT expired at the end of 2011, but was reinstated again on a permanent basis as part of ATRA.

Now that the difference between the highest ordinary income tax rate and the highest AMT rate has increased, as has the AMT exemption, it is likely that fewer taxpayers will be subject to AMT going forward. Still, in order to navigate the AMT, taxpayers must be especially mindful of year-end cash payments, such as fourth-quarter state income taxes (especially in states with high rates), prepayment of investment and tax adviser fees, and charitable contributions. Falling victim to AMT has many possible causes, but you may be particularly prone to AMT if you have any of the following circumstances:

- Large state and/or local income, sales tax, or property tax deductions
- Large long-term capital gains or qualified dividends
- Large deductions for accelerated depreciation
- Large miscellaneous itemized deductions
- An exercise of incentive stock options
- Large amounts of tax-exempt income that is not exempt for state tax purposes
- A large number of dependents
- Tax-exempt income from private activity bonds
- Mineral investments generating percentage depletion and intangible drilling costs
- Research and development expenses in activities in which you do not materially participate

Current-year planning around timing of the payment of expenses that constitute itemized deductions not deductible under the AMT system is certainly important, but it may not be enough. In addition, projecting taxable income from hedge and private equity funds, as well as managing private activity bonds, are among activities that take on special significance. More than ever, meaningful AMT planning requires examining multi-year scenarios.
Individual income tax planning

Health care taxes

As we have previously discussed the creation of the health care taxes, it is now important to put the taxes in the context of how they apply to particular types of income. Note that each of these taxes are in addition to other taxes that are assessed on these types of income.

NIIT
An additional 3.8 percent NIIT is imposed on unearned income, such as interest, dividends, capital gains, annuities, royalties, rents, and income from businesses in which the taxpayer does not actively participate (income not earned from a trade or business and income subject to the passive activity rules).

Because the tax applies to gross income from these sources, income that is excluded from gross income, such as tax-exempt interest, will not be taxed. The tax is applied against the lesser of the taxpayer’s net investment income (after investment-related and allowable deductions) or modified AGI in excess of the threshold amounts. These thresholds are set at $200,000 for single filers and $250,000 for MFJ filers. Some types of income are exempt from the tax, including income from businesses in which the taxpayer actively participates, gains from the disposition of certain active partnerships and S corporations, distributions from qualified plans and individual retirement accounts, wages, and any item taken into account in determining self-employment income.

FICA-HI tax
An additional 0.9 percent FICA-HI tax applies to earnings of self-employed individuals or wages of an employee received in excess of $200,000 ($250,000 if MFJ). Self-employed individuals will not be permitted to deduct any portion of the additional tax. If a self-employed individual also has wage income, then the threshold above which the additional tax is imposed will be reduced by the amount of wages taken into account in determining the taxpayer’s liability.

NIIT Does NOT apply to:
- Wages
- Self-employment income
- Distributions from qualified plans
- Income that is derived in the ordinary course of a trade or business and not treated as a passive activity

FICA-HI tax
Employee share increases by 0.9 percent (2.35 percent, up from 1.45 percent) for an individual’s wages, compensation, or self-employment income that exceeds threshold amount for filing status:
- MFJ: $250,000
- Married filing separately: $125,000
- Single: $200,000

Self-employed individuals are not permitted to deduct any portion of the additional tax. This change does not change the employer hospital insurance contribution.
Consider the example of married taxpayers who earn $750,000 in wages. Additionally, their investment income consists of $250,000 of interest and dividends and $1,000,000 of capital gains, with properly allocable deductions of $70,000, for total net investment income of $930,000. Their total additional taxes under the PPACA is $39,840.

<table>
<thead>
<tr>
<th>Married taxpayers, filing jointly</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type and amount of income</strong></td>
<td><strong>Applicable PPACA tax</strong></td>
</tr>
<tr>
<td>Wages</td>
<td>$750,000</td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
</tr>
<tr>
<td>Interest/Dividends</td>
<td>$250,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Properly allocable deductions</td>
<td>($70,000)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$1,180,000</td>
</tr>
<tr>
<td>Total additional tax</td>
<td></td>
</tr>
</tbody>
</table>
Individual income tax planning

State and foreign taxes

How high are income tax rates in your state?
Top state marginal individual income tax rates as of July 1, 2017

Having worked our way through the various federal taxes that can be assessed, there are still income taxes from other jurisdictions to be addressed. While a thorough discussion of all possible taxes imposed by states or foreign countries is not the purpose here, no income tax planning exercise is complete without considering the potential for taxes from all possible jurisdictions.

States such as Florida, Nevada, South Dakota, Texas, Washington, and Wyoming do not have individual income taxes, but most states do—with California having the highest rate of more than 13 percent. If an individual is subject to income taxes in multiple states, it may be possible to generate a state tax credit in the resident state to reduce the overall tax burden.

Individual consumers may also be subject to sales and use taxes. When the governing body collects the tax at the point of purchase, it is called a sales tax. Alternatively, when a tax on goods or services is paid to a governing body directly by a consumer, it is usually called a use tax. The imposition of these taxes may be an important consideration when an investment is a commodity, such as an airplane or art.

Finally, if income is earned in a foreign jurisdiction, then it may be subject to foreign taxes. Similar to the state tax credit, a foreign tax credit may be available when income is subject to tax in multiple jurisdictions.
Individual income tax planning

Look again: Year-round personalized planning

With a solid understanding of the various taxes that may be assessed on your income and the importance of planning for this meaningful liability, you are now equipped to look again at the issues that are presented to you based on your personal tax situation. When we say considerations, we like to think of those as levers that you can engage.

What lever can you pull that may position you for a potentially more tax-efficient result?

Considering the potential for a decrease in your overall tax rate, maybe your lever is to take steps to defer income to a subsequent year. Similarly, considering the potential changes to itemized deductions, maybe your lever is to accelerate a deduction or expense into the current year. Either way, think of these levers as tools within your control that you can use to affect your tax result. By implementing a long-term commitment to holistic tax planning, you likely will identify many different levers to consider each year and position yourself to navigate today's increased tax rate environment more efficiently.

To be more effective in your efforts, it is best to not think of your tax situation based on the income you expect to realize or the deductions you expect to incur. To only think of income planning approaches or deduction planning strategies is to think in a vacuum. That is not the way that it works when you file your taxes—everything is taken into consideration when calculating your tax bill. So we encourage you to think of planning here as a year-round process, taking into consideration all the levers you can pull, be they income or deduction decisions—to create a more efficient tax result.

As you think about this, keep in mind that the levers you will consider will be different than levers someone else would consider because each of us has a unique tax posture and different goals and objectives. There is no one-size-fits-all approach that applies to everybody. You should focus on your planning based on your own specific fact pattern and objectives. Even if your income posture is identical to someone else’s, maybe you are charitably inclined and they are not. Perhaps both of you are charitably inclined, but you plan to fund your charitable donations soon whereas the other person plans to fund his or her donations as part of an estate plan. So your levers become very specific and unique to you based on your tax posture and your personal goals and objectives.

Understanding this is critical in tax planning because it shines a direct light on specific considerations for tax efficiencies for you and facilitates the pursuit of your goals and objectives. As part of your long-term commitment to holistic tax planning, recognize that each year may present different issues that motivate you to look again at your goals based on that specific year’s activity. For example, maybe this year you have a significant ordinary income event, but you expect a significant long-term capital gain event next year. Maybe this year you expect an operating loss from your business enterprise, but next year you project the business to turn around and be highly profitable. Obviously, the likelihood of anticipated legislative changes will also need to be considered.
Individual income tax planning

Year-round personalized planning

To start to think about this in more detail, we encourage you to consider the character and the timing of your income and your deductions, as not all items of income or deductions are equal. As reviewed earlier, some income, like wages, is subject to ordinary tax rates as high as 39.6 percent. Other income, like long-term capital gains or qualified dividend income, is subject to tax preferential rates that only go as high as 20 percent. Some items of income are more easily controllable when you recognize the income event, for example, when to realize the long-term capital gain that is currently in your portfolio. Other items of income may be less controllable by you, such as the amount and timing of your company bonus.

The issue is even more complex for your deductions. Some deductions are easily controllable in terms of their timing, like your charitable contributions. However, they may still carry an array of tax issues, such as the funding of that charitable donation (cash versus stock versus other assets), let alone the optimal year to fund the donation. Some deductions are less controllable, like interest expense and real estate taxes, as you generally pay those when they become due. If that is not enough, consider that some deductions may provide significant value if you are not subject to the AMT. Conversely, those same deductions may provide no benefit if you are subject to AMT.

This year, there is the added issue that tax reform has included discussion about elimination of certain deductions, such as the deduction for state income taxes or a higher standard deduction that would eliminate the need to itemize deductions all together. As you digest this, you can begin to see that controllability is a significant lever for you to consider for both income and deduction items.
Putting all of this into perspective may be easier when you consider these important points:

1. Items that are controllable provide flexibility for determining the more optimal time for tax recognition of that item. This is equally applicable to items of income as it is to items of deduction.

2. Some items are automatically going to occur—you will pay your real estate taxes when they are due (or face a penalty for not doing so), and you will earn your wages when they are earned. Often these automatic events lay the foundation of your planning. In essence, enhance the efficiency you can gain from your controllable events against the backdrop of your noncontrollable events.

3. Controllable deductions may be one of your biggest levers. Again, an example would be when and how do you want to fund your charitable gifts. Will you use securities or an alternative asset? Recognizing that there are more efficient ways to fund these deductions—both in terms of the when and the how—allows you to reach a greater level of tax efficiency.

4. Your personal tax situation will afford you some additional considerations today, in future years, and, in some instances, even prior years. Making sure you review it holistically and commit to thoughtful tax planning is likely to position you to realize a greater degree of tax efficiency than you otherwise might expect.

5. Do not lose sight of the fact that if you are an owner of, or invest in, pass-through entities, the more thoughtful planning that you may need to undertake to position yourself for an efficient tax result may be planning within those entities as opposed to planning by you directly. Failing to coordinate tax planning between a flow-through entity and the owners of that flow-through entity will likely undercut tax efficiency.

6. Before acquiring new investments, take time to understand the character of the income that will be generated by the investment as well as when you will recognize the income and any potential new disclosure obligations that may arise. Furthermore, analyze whether you will benefit from the expenses and losses allocated to you. The deduction for some expenses may be limited by the itemized deduction phaseout provisions or added back under the AMT regime. Furthermore, losses may be disallowed in the current year if you are subject to the passive loss rules. Failing to understand the character of income and expenses that the pass-through entity will pass through to you may lead to unwelcome surprises when you receive the final tax information.

Whatever lever you choose to pull, ensure that you are actively planning to reach an efficient result for the current year. No matter what issues, including tax reform, are in your peripheral view, you must remember to put your income tax planning goals front and center. In order to accomplish this, look again at all of the planning levers that are available to you now—and consider whether or not those levers will exist in the future. Discussions with your tax adviser can give you insights into how to strategically plan for your financial goals and objectives.

This guide is meant to help you apply these considerations to your unique goals and objectives and open the door to tax-efficient planning with your adviser.

Individual income tax planning

Year-round personalized planning

Today’s increased tax rate environment

Look again at current tax rates by type of income

Individual income tax rates by type of income

Self-employment tax

Alternative minimum tax (AMT)

Health care taxes

State and foreign taxes

Look again: Year-round personalized planning

Year-round personalized planning

Planning for long-term gains

Planning for charitable contributions
Individual income tax planning

Planning for long-term gains

You want to diversity your portfolio and recognize a substantial long-term capital gain in 2017. You may have some losses in your portfolio, but would not have sufficient losses to offset the gain in full. There are no loss carryovers. What potential issues, among others, should be considered in deciding if the gain should be recognized?

- Capital gains tax rate for 2017, including NIIT implications, is known, whereas it is uncertain for 2018.
- Capital losses may be more valuable in 2017 than 2018, because the capital gains tax rate for 2017, including NIIT implications, is known, whereas it is uncertain for 2018.
- Higher AGI base in 2017 may be helpful for those that wish to accelerate charitable giving.

- When should the state tax liability be paid on income that is recognized? Are there AMT implications?
- Deductions may be more valuable in 2017 depending on what income is being offset and the potential for lower rates for 2018.
- What's the implication of the stock value and investment risk if you decide to hold off on diversification until 2018?
- What could be done to mitigate state tax exposure if recognition of the capital gain is deferred?
Individual income tax planning

Planning for charitable contributions

You have a history of making generous charitable contributions. You have pledged a significant contribution to your alma mater, but the university has given you the option of making the contribution over time. What potential issues, among others, should be considered in deciding when to make the contribution?

Deductions might be more valuable in 2017 depending on what income is being offset, as well as the potential for lower rates in 2018.

Consider potential tax reform that could affect the tax benefit of your charitable giving.

Are there AMT implications to consider?

How would you address the implication of the Pease limitation on itemized deduction existing in 2017, but possibly not existing in 2018?

Assuming you are contributing stock, then how does market risk affect your thought process?

Today’s increased tax rate environment
Look again at current tax rates by type of income
Individual income tax rates by type of income
Self-employment tax
Alternative minimum tax (AMT)
Health care taxes
State and foreign taxes
Look again: Year-round personalized planning
Year-round personalized planning
Planning for long-term gains
Planning for charitable contributions
# Resources

<table>
<thead>
<tr>
<th>Private wealth</th>
<th>Deloitte Private Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Wealth brochure</td>
</tr>
<tr>
<td>Tax reform</td>
<td>Tax Reform insights</td>
</tr>
<tr>
<td></td>
<td>Tax News &amp; Views: Capitol Hill briefing</td>
</tr>
<tr>
<td>Individual income tax planning</td>
<td>Private wealth tax controversies: Deep experience navigating interactions with taxing authorities</td>
</tr>
<tr>
<td>Wealth transfer planning</td>
<td>Wealth planning: Securing your legacy</td>
</tr>
<tr>
<td></td>
<td>US estate and gift taxation of resident aliens and nonresident aliens</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>Private foundations: Establishing a vehicle for your charitable vision</td>
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<tr>
<td>Identity theft</td>
<td>IRS Identity Protection Specialized Unit: +1 800 908 4490</td>
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<tr>
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<td>IRS.gov, Identity Protection: Prevention, Detection and Victim Assistance</td>
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<tr>
<td></td>
<td>IRS.gov, Taxpayer Guide to Identity Theft</td>
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<tr>
<td></td>
<td>IRS.gov, Identity Theft Guide for Business, Partnerships and Estate and Trusts</td>
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<tr>
<td></td>
<td>Helpful resources: Publications, articles, YouTube videos and other identity theft related outreach</td>
</tr>
<tr>
<td></td>
<td>IRS.gov, Tax Scams / Consumer Alerts</td>
</tr>
<tr>
<td></td>
<td>IRS.gov, IRS Publication 5027, Identity Theft Information for Taxpayers</td>
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<tr>
<td></td>
<td>Federal Trade Commission: Consumer Information, Identity Theft</td>
</tr>
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