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Tax Cuts And Jobs Act

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Both Washington and the IRS trying for tax simplification. They added around 500 pages to the current policies, bringing the total

up to around 70,000 pages, just to make things simpler for you.

In reality, the tax code is not 70,000 pages. There is a myriad of complications in court decisions surrounding tax codes, according to the Tax Foundation. The statutes themselves are around 2,799 pages long. The code is so many pages is because of the application of specifics.

Most people don't spend a ton of time concerned with the taxation of cutting timber or a crew on a tuna boat, however, there are rules for that, and while you may not find the rules applicable to you, they are complex for various reasons.

We don't have enough space here to go into detail, but you might want to chat with your representatives for a good laugh or a session in obfuscation.

The lawmakers in power said they wanted to simplify the tax code so you could file your return on a postcard. But they made it a lot more complicated.

Business owners and tax experts are studying the new 500 pages to understand the full implications, which change rates for individuals and corporations, and eliminate or

limit many popular deductions. This, they decided, would be a perfect change to make with one to two weeks left in the tax year.

You now have to make decisions on the financial consequences of major life decisions: Who do you work for?

Do you move? Do you do the remodeling of your home now? How will you commute to work? Do you get married or divorced?

Depending on your income, this could cost you or save you thousands.

Business Owners: One of the more controversial and confusing provisions is a new 20-percent tax deduction for pass-through businesses, privately-owned firms whose owners pay individual rates on their income. Also to consider is the corporate tax rate from 35 percent to 21 percent. This creates more questions about how to structure your company.

The pass-through deduction could also create an incentive for more people to quit their jobs and become independent contractors.

Estate Planning: The tax maintains the federal estate tax, but doubles the amount that is exempt from the levy after death and during lifetime tax on gifting. Starting this year, single people who die with around \$11 million would not be subject to the estate tax – that's up from \$5.5 million. Married couples can protect \$22 million from estate and gift tax.

I truly hope you are in this situ-

ation!

One thing to also keep in mind is that many of these new changes are going to expire in 2025 to 2026. What will people be expected to do then, and how do they prepare for these changes? At least they will have a little more time than the two weeks we had to prepare this time.

Your Paycheck: Many salaried workers with varied income levels will need advice on how much should be withheld from their paychecks for 2018. Most of the provisions have gone into effect starting Jan. 1. If they don't get it right, they could end up with a big tax bill in 2019, or an unnecessarily large refund.

Real Estate: The new law caps at \$10,000 the amount of state and local income and property taxes that taxpayers can deduct each year. This could lower property values in certain states, such as New York. I have heard 13-14 percent value reductions. There is a new cap on mortgage deductions. Also, the end to deduction for home equity loans.

As I am sure you have read, our governor and others are talking with tax experts to see if they can do anything to counter the federal changes

Marriage and Deductions: Under the new law, many two-income couples end up paying more in taxes by getting married. These new provisions are set to end in 2026, so it might not be just for love that marriage is considered.

Divorced taxpayers who pay alimony will no longer be able to deduct these payments from their income, and the recipients of alimony no longer need to report these monies as income.

Bottom line: you best have a really good accountant and financial advisor.

It used to be, for many of us, that the simple form was used for taxes. Today and going forward, I strongly advise you to double and triple check your status so you don't get the short end of the stick. Set up an appointment with your tax advisor and financial advisors now, and don't wait until the 11th hour. It's amazing what politicians can accomplish when they put their collective minds together. The best of fortune to us all.

Any comments, questions or suggestions are greatly appreciated and will help me with future columns. Happy New Year and the very best for 2018.



Huntington's Jon L. Ten Haagen, CFP, runs Ten Haagen Financial Services, Inc., a full-service independent financial planning firm, and he is here to answer your questions. In this bi-monthly column, Ten Haagen will answer your financial questions and help you with his expert financial advice. Don't be shy, our expert is here for you, so feel free to ask away! Email your questions to asktheexpert@longislandergroup.com today, and let our expert help you.

**Ten Haagen is an Investment Advisor Representative offering securities and advisory services offered through Royal Alliance Associates, Inc., member of FINRA/SIPC, and a registered investment advisor. He is also an active community member, serving on several nonprofit boards and as executive officer of the Greater Huntington Boating Council.*

***BACK IN HUNTINGTON: The offices of Ten Haagen Financial Services, Inc. have moved back to 191 New York Ave., Huntington. Friends and clients are welcome to stop by, check out the new office and share a cup of coffee with the expert!*