

Quarterly Financial Integration Planning Pointer "2017 Coming Attractions - Tax Reform"

As we enter 2017, the recent political landscape changes bring forth greater uncertainties and speculations than any New Year in recent memory. These include the prospects for the most significant tax reform changes in thirty years. Not since Ronald Regan inspired the Tax Reform Act of 1986 has there been the realistic possibility of substantial, comprehensive federal income tax revisions. Please recognize that our comments below reflect a combination of campaign promises and political rhetoric compiled from various seminar presentations, newspaper articles and commentator newsletters. We will highlight the potential changes that have been discussed, which we are following, that could significantly impact our clients.

- **Individual/Investor Tax Proposals**

- Reduction in ordinary income marginal tax rate brackets to three rates - 12%, 25% and 33%. This represents marginal tax rate savings ranging from 3% - 10% from current tax rates (including NIIT 3.8% rate).
- Elimination of the 3.8% net investment income tax, resulting in a maximum rate of 20% on qualified dividends and long term capital gains.
- Alternative Minimum Tax - proposed repeal. This would be particularly favorable for clients who reside in a state with high individual income tax rates or executives holding incentive stock options.
- No marriage penalty variance in single vs married tax brackets.
- Significant increase in standard deduction limits, however, elimination of personal exemptions may mitigate this benefit.
- Limitations on the categories and amount of allowable itemized deductions.

- **Business Income Tax Proposals**

- Reduction in top corporate tax rate from 35% to 15%.
- Consideration of top tax rate reductions for pass-through entities (partnerships, LLCs, S Corps) to 15% under specific circumstances.
- Increase in expensing limits on capital purchases.
- Reduction in repatriation of corporate profits held off-shore by US multinational corporations.

- **Other Tax Issues**

- Repeal of the Federal Estate and Gift tax, with a resulting elimination of "step-up-basis" rules for taxable gains in excess of \$10M.
- Changes in the timing of recognition of taxable income on executive stock option transactions.

As this highlighted list of speculation possibilities indicates, any potential changes will impact taxpayers depending on their individual circumstances. These changes may be both positive and negative, thus requiring a "fresh look" at our respective client situations to take advantage of new opportunities and mitigate negative implications of any changes. As speculation becomes reality, we will be highlighting planning opportunities in future quarterly financial integration commentary.

We sincerely thank you for the opportunity to serve as your financial advisor and look forward to assisting you in 2017.

Happy New Year!

Your TD Capital Team