



Tax Legislation: Estate Planning

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Speakers



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Case Study – Example 1

- › Typical family of five taking standard deduction
 - Two adults and three children (all K-12)
 - Renting home
 - Wages = \$90,000/year



Case Study – Example 1

Family of 5, standard deductions	2017	2018
Wages	90,000	90,000
Exemption	(20,250)	(20,250) 0
Standard deductions	(12,700)	(24,000)
Total deductions	(32,950)	(24,000)
Taxable income	57,050	66,000
Federal tax (before credits)	7,629	7,539
Child tax credits*	3,000	6,000
Net federal tax	4,629	1,539



*Note credits **not** available for children 17 and older

Case Study – Example 2

- › Married wage earners renting apartment in the Pearl
 - Two adults, both working, no children
 - Renting home
 - Wages = \$250,000/year



Case Study – Example 2

DINKs (renting)	2017	2018
Wages	250,000	250,000
Exemption	(8,100)	0
Charitable contributions	(13,000)	(13,000)
State tax deductions	(20,000)	(20,000) (10,000)
Total itemized deductions	(33,000)	*(23,000)
Standard deductions	(12,700)	(24,000)
Taxable income	208,900	226,000
Federal tax	45,377	42,819

Planning opportunity to bundle charitable deductions for several years into one. Planning provides **\$3,360 in federal savings** over two years in this example.



**Note this is less than the standard deduction. Charitable contributions do not provide any extra tax benefit.*

Case Study – Example 3

- › Retired couple who own home out-right
 - Two adults, both retired, no dependents
 - Own home; no mortgage



Case Study – Example 3

Retired couple, no mortgage	2017	2018
Interest, dividends, IRA distributions	250,000	250,000
Exemption	(8,100)	0
Charitable contributions	(14,000)	(14,000)
State & property tax deductions	(25,000)	(25,000) (10,000)
Total itemized deductions	(47,100)	*(24,000)
Taxable income	202,900	226,000
Federal tax	44,272	42,819



**Note this is less than the standard deduction. Charitable contributions do not provide any extra tax benefit.*

Case Study – Example 3 v2

- › Planning opportunity to contribute IRA distributions directly to charity if aged 70½

Retired couple, no mortgage	2018 No IRA to charity	2018 IRA to charity (\$14K)
Income	250,000	250,000 236,000
Standard deduction	(24,000)	(24,000)
Taxable income	226,000	212,000
Federal tax	42,819	39,459

\$3,360 federal savings



Case Study – Example 4

- › High wage earner vs. real estate developer



Case Study – Example 4

	2018 High wage earner	2018 Real estate developer
Income	3,000,000	3,000,000
20% pass-through deduction	-	(600,000)
Charitable contributions	(50,000)	(50,000)
Mortgage interest expense	(50,000)	(50,000)
Property & Oregon income tax	(400,000) (10,000)	(10,000)
Total itemized deductions	(110,000)	(110,000)
Taxable income	2,890,000	2,290,000
Federal tax	1,033,429	786,679

