CORNETET, MEYER, RUSH & STAPLETON

ATTORNEYS AT LAW

Elliott Stapleton, Esq.
123 Boggs Lane
Cincinnati, Ohio 45246
(513) 334-0099

For more information or to contact Elliott,
visit: https://cmrs-law.com/attorney-profiles/elliott-stapleton/

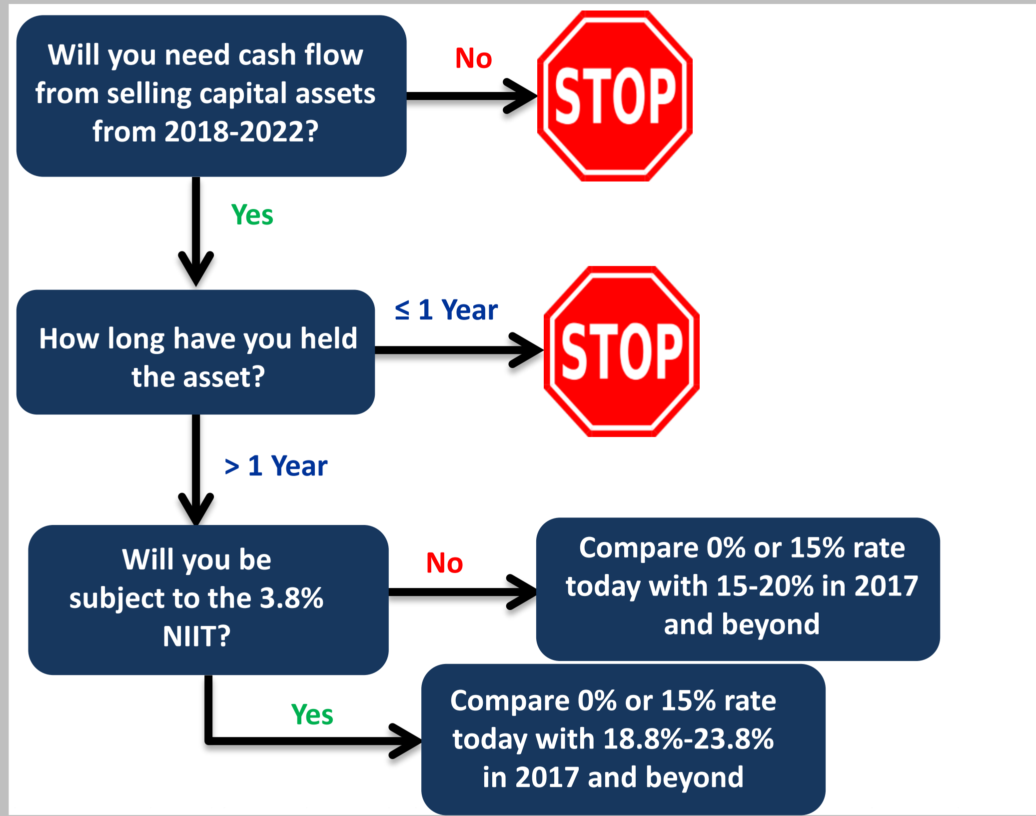
The Top 10 Tax Planning Ideas for 2018

Top 10 Tax Planning Ideas

1. **Bracket Management**: Timing of income, deductions, retirement plan contributions, investment selections, charitable gifts, etc., to avoid higher tax brackets and the net investment income tax (NIIT).
2. **3.8% NIIT & IRC § 199A Limits:** Engaging in various strategies to reduce net investment income or taxable income; i.e., municipal bonds, tax-deferred annuities, life insurance, oil & gas investments, choice of accounting year for estate/trust, or timing of estate/trust distributions.
3. **Income Shifting**: Outright gifts to children, LLC and partnership gifts, gifts to non-grantor trusts for family, QSSTs, distributions from existing trusts, or conversions of grantor trusts to non-grantor trusts to shift income, thereby avoiding the higher tax brackets, NIIT, & § 199A Limits.
4. **Roth IRA Conversions:** Converting traditional IRAs into Roth IRAs in order to lower MAGI below the applicable threshold amount in future years, thereby avoiding the NIIT.
5. **Charitable Remainder Trusts:** Three types: Substantial Sale CRT, Retirement CRT, and Income Shifting CRT. Used to harbor net investment income in a tax-exempt environment while at the same time leveling income over a longer period of time, deferring income until after retirement, or shifting income to family members in order to keep MAGI below the applicable threshold, thereby avoiding the NIIT.
6. **Maximum Contributions to Retirement Plans:** Contributing to retirement plans in order to lower MAGI below the applicable threshold amount, thereby avoiding the NIIT.
7. **IRC § 453 Deferred Installment Sale:** Used to level net investment income over a longer period of time in order to keep MAGI below the applicable threshold amount, thereby avoiding the NIIT.
8. **Tax Efficient Investing:** Includes the following: 1) increasing investments in tax-favored assets; 2) deferring gain recognition; 3) changing portfolio construction; 4) after-tax asset allocation; 5) tax-sensitive asset location; 6) managing income, gains, losses and tax brackets from year-to-year; and 7) managing capital asset holding periods.
9. **Charitable Lead Trusts**: Used to offset net investment income against charitable deductions dollar-for-dollar in a tax-efficient manner, thereby avoiding the NIIT.
10. **Investment in Low Risk Oil and Gas Partnerships:** Investing in oil and gas partnerships to create a large deduction in the current year in order to lower MAGI below the applicable threshold amount, thereby avoiding the NIIT.

Elliott Stapleton, Esq.
123 Boggs Lane Cincinnati, Ohio 45246
(513) 334-0099
For more information or to contact Elliott,
visit: https://cmrs-law.com/attorney-profiles/elliott-stapleton/

Harvesting Capital Gains



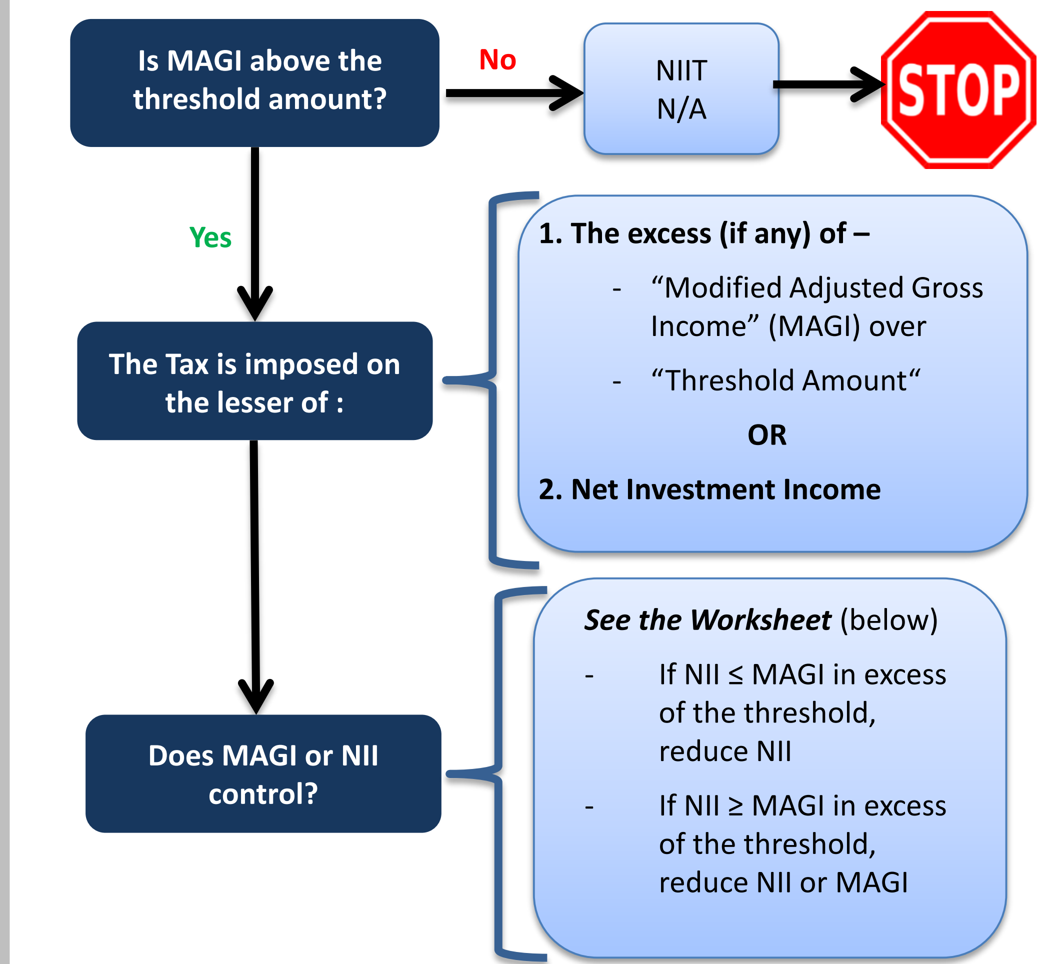
Gain Harvesting Return on Investment (after-tax)

		2018	Future	2019	2020	2021	2022	2023	2024	2025
Growth Rate	4.0%	0.0%	15.0%	371.76%	116.42%	66.90%	46.55%	35.54%	28.66%	23.95%
State Tax	4.0%	0.0%	18.8%	466.91%	137.42%	77.62%	53.62%	40.80%	32.84%	27.43%
		0.0%	20.0%	496.96%	143.68%	80.75%	55.66%	42.30%	34.03%	28.42%
		0.0%	23.8%	592.11%	162.51%	90.01%	61.65%	46.70%	37.50%	31.28%
		15.0%	18.8%	16.91%	6.63%	3.34%	1.68%	0.65%	-0.08%	-0.64%
		15.0%	20.0%	23.28%	9.60%	5.32%	3.20%	1.90%	1.00%	0.33%
		15.0%	23.8%	43.43%	18.50%	11.15%	7.60%	5.50%	4.09%	3.06%

		2018	Future	2019	2020	2021	2022	2023	2024	2025
Growth Rate	8.0%	0.0%	15.0%	368.52%	114.83%	65.58%	45.31%	34.31%	27.39%	22.64%
State Tax	4.0%	0.0%	18.8%	448.78%	132.82%	74.88%	51.51%	38.98%	31.17%	25.83%
		0.0%	20.0%	493.92%	142.35%	79.70%	54.69%	41.35%	33.08%	27.43%
		0.0%	23.8%	589.22%	161.34%	89.10%	60.82%	45.90%	36.70%	30.47%
		15.0%	18.8%	13.82%	3.52%	-0.02%	-2.02%	-3.48%	-4.75%	-5.99%
		15.0%	20.0%	20.24%	6.62%	2.15%	-0.27%	-1.94%	-3.31%	-4.57%
		15.0%	23.8%	40.54%	15.89%	8.45%	4.73%	2.37%	0.65%	-0.76%

These statements should not serve as a guarantee of the outcome for your specific matter. Prior results do not guarantee a similar outcome in your case. None of the statements above are to be construed as legal, financial, or tax advice. This is an Attorney Advertisement.

3.8% NIIT



NIIT Worksheet – Does MAGI or NII Control?	
MAGI	
Less: Threshold Amount	( )
Excess over threshold (1)	
NII (2)	
Lesser of (1) or (2)	
Rate	X 3.8%
NIIT	

Net Investment Income (NII)
Includes:
- **Interest**
- **Dividends**
- **Annuity distributions**
- **Rents**
- **Royalties**
- **Income derived from passive activities**
- **Net capital gain derived from the disposition of property**

Threshold Amounts	
Single Person	**$200,000**
Married Couple	**$250,000**
Trust or Estate	**$12,500**

MAGI: Adjusted gross income (i.e., Form 1040, Line 37) ***PLUS*** Net foreign earned income exclusion

The Top 10 Tax Planning Ideas for 2018

Roth IRA Conversions: 10 Reasons to Convert

1. Taxpayers have special favorable tax attributes, including a high basis ratio, charitable deduction carry-forwards, investment tax credits, net operating losses (NOLs), etc. *This is because these attributes reduce the effective tax rate of the conversion.*
2. Suspension of the minimum distribution rules at age 70½ provides a considerable advantage to the Roth IRA holder. *This allows for additional tax-free deferral.*
3. Taxpayers benefit from paying income tax before estate tax (when a Roth IRA election is made) compared to the income tax deduction obtained when a traditional IRA is subject to estate tax. *This is because the IRC § 691(c) deduction is inefficient.*
4. Taxpayers who can pay the income tax on the IRA from non-IRA funds benefit greatly from the Roth IRA because of the ability to enjoy greater tax-free yields. *This is because of the ability to move funds from a "taxable" to a "tax-free" tax asset class.*
5. Taxpayers who need to use IRA assets to fund their Unified Credit bypass trust are well advised to consider making a Roth IRA election for that portion of their overall IRA funds. *This is because the exemption is funded on an after-tax basis.*
6. Taxpayers making the Roth IRA election during their lifetime reduce their overall estate, thereby lowering the effect of higher estate tax rates.
7. Because federal tax brackets are more favorable for married couples filing joint returns than for single individuals, Roth IRA distributions won't cause an increase in tax rates for the surviving spouse when one spouse is deceased because the distributions are tax-free.
8. Managing the 199A pass-through business deduction taxable income based limitations. *Converting to avoid RMDs, for example, may help a taxpayer maximize the deduction.*
9. Tax rates are historically low. *Higher tax rates in the future means more tax will be paid on taxable IRA distributions than the tax that would be paid on a conversion at a lower rate.*
10. 3.8% Net Investment Income Tax. *A conversion may be beneficial for taxpayers because qualified Roth IRA Distributions are neither NII nor MAGI.*

Married Filing Jointly-Key Threshold Amounts

12%	22%	24%	Add on 3.8% NIIT
$19,050	$77,400	$165,000	$250,000

AMT – Free Zone | 26% AMT Bracket

32%	§ 199A Limits Begin to Apply	35%	§ 199A Limits Fully Apply	37%
$315,000	$315,000	$400,000	$415,000	$600,000

28% AMT Bracket

Tax Rates for 2018

Single Individuals

If Taxable Income Is:	Tax will be:
Not over $9,525	10% of taxable income
Over $9,525, under $38,700	$952.50 plus 12% of excess over $9,525
Over $38,700, under $82,500	$4,453.50 plus 22% of excess over $38,700
Over $82,500, under $157,500	$14,089.50 plus 24% of excess over $82,500
Over $157,500, under $200,000	$32,089.50 plus 32% of excess over $157,500
Over $200,000, under $500,00	$45,689.50 plus 35% of excess of $200,00
Over $500,00	$150,689.50 plus 37% over $500,000

Married Filing Jointly

If Taxable Income Is:	Tax will be:
Not over $19,050	10% of taxable income
Over $19,050, under $77,400	$1,905 plus 12% of excess over $19,050
Over $77,400, under $165,000	$8,907 plus 22% of excess over $77,400
Over $165,000, under $315,000	$28,179 plus 24% of excess over $165,000
Over $315,000, under $400,000	$64,179 plus 32% of excess over $315,000
Over $400,000, under $600,000	$91,379 plus 35% of excess over $400,000
Over $600,000	$161,379 plus 37% over $600,000

Married Filing Separately

If Taxable Income Is:	Tax will be:
Not over $9,525	10% of taxable income
Over $9,525, under $38,700	$952.50 plus 12% of excess over $9,525
Over $38,700, under $82,500	$4,453.50 plus 22% of excess over $38,700
Over $82,500, under $157,000	$14,089.50 plus 24% of excess over $82,500
Over $157,000, under $200,000	$32,089.50 plus 32% of excess over $157,500
Over $200,00, under $300,000	$45,689.50 plus 35% of excess of $200,000
Over $300,000	$80,689.50 plus 37% over $300,000

Head of Household

If Taxable Income Is:	Tax will be:
Not over $13,600	10% of taxable income
Over $13,600, under $51,800	$1,360 plus 12% of excess over $13,600
Over $51,800, under $82,500	$5,944 plus 22% of excess over $51,800
Over $82,500, under $157,500	$12,698 plus 24% of excess over $82,500
Over $157,500, under $200,000	$30,698 plus 32% of excess over $157,500
Over $200,000, under $500,000	$44,298 plus 35% of excess of $200,000
Over $500,000	$149,298 plus 37% over $500,000