

2019 TAX PLANNING AND BUSINESS ENTITY FORMATION

TUESDAY FEBRUARY 12, 2019



WILKE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

THANK YOU FOR HAVING US TODAY



David M. Wilke,
CPA, MBA
Managing Partner,
dwilke@wilkecpa.com
C: 412.670.8427



David Cooke, CPA
Partner
dcooke@wilkecpa.com
C: 412.977.4256



Jennifer Petyk, EA, MST
Tax Manager
jpetyk@wilkecpa.com
C: 724.518.1448

AGENDA

1. THE IMPACT OF THE 2018 TAX CUTS AND JOBS ACT
2. THE NEW 20% PASS THROUGH TAX DEDUCTION AND HOW IT COULD IMPACT AGENTS
3. DEFERRED COMPENSATION OPTIONS
4. OPPORTUNITIES FOR QUALIFIED TAX DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS
5. COMMONLY MISSED TAX DEDUCTIONS
6. ENTITY FORMATION OPPORTUNITIES

WWW.WILKECPA.COM/2019REALESTATE

1. THE IMPACT OF THE 2018 TAX CUTS AND JOBS ACT

SINGLE TAX RATES 2017 VS 2108

2017 Rate	Standard Deduction \$6,350
10%	0-\$9,325
15%	\$9,325-\$37,950
25%	\$37,950-\$91,900
28%	\$91,900-\$191,650
33%	\$191,650-\$416,700
35%	\$416,700-\$418,400
39.6%	Over \$418,400

2017 Rate	Standard Deduction \$12,000
10%	0-\$9,525
12%	\$9,526-\$38,700
22%	\$38,700-\$82,500
24%	\$82,500-\$157,500
32%	\$157,500-\$200,000
35%	\$200,000-\$500,000
37%	Over \$500,000

MARRIED FJ TAX RATES 2017 VS 2108

2017 Rate	Standard Deduction \$12,700
10%	0-\$18,650
15%	\$18,650-\$75,900
25%	\$75,900-\$153,100
28%	\$153,100-\$233,350
33%	\$233,350-\$416,700
35%	\$416,700-\$470,700
39.6%	Over \$470,700

2018 Rate	Standard Deduction \$24,000
10%	0-\$19,050
12%	\$19,050-\$77,400
22%	\$77,400-\$165,000
24%	\$165,000-\$315,000
32%	\$315,000-\$400,000
35%	\$400,000-\$600,000
37%	Over \$600,000

ITEMIZED DEDUCTIONS – SOME HIGHLIGHTED CHANGES

- INDIVIDUAL DEDUCTION FOR STATE AND LOCAL INCOME, SALES, AND PROPERTY TAXES IS LIMITED IN THE AGGREGATE TO \$10,000 (MARRIED AND SINGLE FILERS) AND \$5,000 (MARRIED AND FILING SEPARATELY).
- PHASE-OUT OF DEDUCTIONS DUE TO INCOME LIMITATIONS IS REPEALED.
- MOST MISCELLANEOUS ITEMIZED DEDUCTIONS SUBJECT TO THE 2% OF AGI FLOOR WILL NO LONGER BE ALLOWED (I.E. TAX PREPARATION AND INVESTMENT EXPENSES).
- NEW LIMITATIONS MAY APPLY TO MORTGAGE INTEREST DEDUCTIONS INCLUDING INTEREST PAID ON HOME EQUITY LOANS.

TOP CHANGES RELATED TO BUSINESSES

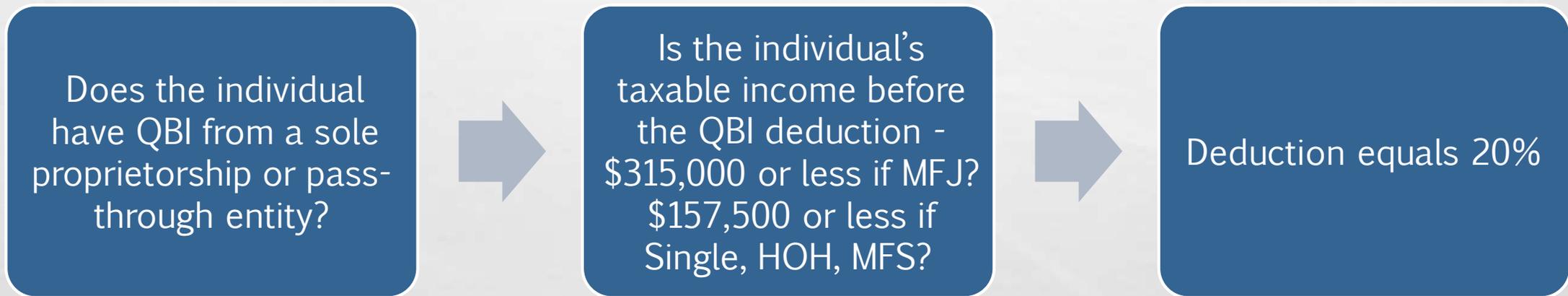
- CORPORATE INCOME TAX RATES
- INVENTORY REPORTING METHODS
- DEPRECIATION ALLOWANCES
- CASH VS ACCRUAL REPORTING
- ENTERTAINMENT ALLOWANCES

2. THE NEW 20% PASS THROUGH TAX DEDUCTION AND HOW IT COULD IMPACT AGENTS

PASS-THROUGH DEDUCTIONS

- THERE IS A NEW 20% DEDUCTION FOR QUALIFIED BUSINESS INCOME FROM A PARTNERSHIP, S CORPORATION, OR SOLE PROPRIETORSHIP SUBJECT TO CERTAIN LIMITATIONS.

SECTION 199A QBI* DEDUCTION FLOWCHART



*QBI – Qualified Business Income

3. DEFERRED COMPENSATION OPTIONS

DEFERRED COMPENSATION OPTIONS

- DEFERRED COMPENSATION IS A PORTION OF AN EMPLOYEE'S COMPENSATION THEY EARN IN ONE YEAR BUT RECEIVE IN A LATER YEAR.
- DEFERRED COMPENSATION PLANS ARE SMALL BUSINESS EMPLOYEE BENEFITS THAT LET EMPLOYEES REDUCE THEIR IMMEDIATE TAX LIABILITIES.

DEFERRED COMPENSATION OPTIONS

- EMPLOYERS AND EMPLOYEES CAN CONTRIBUTE TO DEFERRED COMPENSATION PLANS
- DEFERRED COMPENSATION CAN BE BROKEN DOWN INTO TWO CATEGORIES: NON QUALIFIED DEFERRED COMPENSATION PLAN AND QUALIFIED DEFERRED COMPENSATION PLAN

4. OPPORTUNITIES FOR QUALIFIED TAX DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS

QUALIFIED TAX DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS

- DEFINED CONTRIBUTIONS PLANS
- DEFINED BENEFIT PLANS

DEFINED CONTRIBUTION PLANS

- PROFIT SHARING PLANS
- 401(K) PLANS
- IRAS

DEFINED BENEFIT PLANS

- TRADITIONAL DEFINED BENEFIT PLANS
- "HYBRID" CASH BALANCE PLANS

5. COMMONLY MISSED TAX DEDUCTIONS

COMMONLY MISSED TAX DEDUCTIONS

- BUSINESS INTEREST ON VEHICLES
- BUSINESS INTEREST ON CREDIT CARDS
- BUSINESS BANK FEES
- BUSINESS USE OF INTERNET ACCESS FEES
- BUSINESS USE OF COMPUTERS AND ACCESSORIES/SOFTWARE (GENERAL TOOLS OF YOUR TRADE)
- NON-CASH CHARITY (I.E. DONATING CLOTHING, ART WORK, COLLECTIBLES, ETC.)
- BUSINESS TOLLS/PARKING AND TIPS PAID WHILE TRAVELING

COMMONLY MISSED TAX DEDUCTIONS

- BUSINESS GATHERINGS AT THE HOME
- BUSINESS MEALS 50% (I.E. DOUGHNUTS, BAGELS, ETC.)
- OFFICE DECORATIONS AND SMALL APPLIANCES
- BUSINESS GIFTS (\$25 PER YEAR PER PERSON)
- BUSINESS USE OF DEVICES/BRIEFCASES, ETC.
- HIGHER EDUCATION EXPENSES AND STUDENT LOAN INTEREST
- BUSINESS USE OF PUBLICATIONS, MAGAZINES, NEWSPAPERS

6. ENTITY FORMATION OPPORTUNITIES

ENTITY FORMATION REAL ESTATE AGENT EXAMPLE SOLE PROPRIETOR VS S CORP

	Sole Proprietor Schedule C	S-Corporation
Commissions	\$135,000	\$135,000
Cost & Expenses	(60,000)	(60,000)
Salary	-	(15,000)
Profit	\$75,000	\$60,000
Self Employment Tax	\$11,250	-
Social Security & Medicare	-	(2,295)
Federal Tax – 22% bracket	\$16,500	\$16,500
Total Income and SE Tax	\$27,750	\$14,205
Total Federal Tax Savings		\$13,545

SUMMARY OF TAX ISSUES WITH COMMONLY USED SMALL BUSINESS ENTITY TYPES

- SEE HANDOUT FOR DETAILS

THANK YOU FOR YOUR TIME

- QUESTIONS
- COMMENTS

Wilke & Associates, CPAs & Business Advisors
1721 Cochran Road Suite #200
Pittsburgh, PA 15220
Phone: 412.278.2200
wilkecpa.com

