



Monitoring Potential Tax Changes Under the Trump Administration

Now that Donald Trump is our president-elect, major changes in tax law are expected. Although the exact details are months [away](#), here are a few highlights of the Trump administration's tax proposals for individuals and businesses.

Tax Rates

- The proposed plan may reduce the number of individual income tax rates from the current seven to three with rates at 12%, 25% and 33%. This means the current top tax rate of 39.6% would be cut by 6.6 percentage points, to 33%.
- It could also increase the [standard deduction](#) to \$15,000 for single individuals and \$30,000 for married couples filing a joint return.
- The plan will reduce the top corporate tax rate to 15 percent.
- Tax carried interest as ordinary income.
- Eliminate head of household filing status.

Itemized Deductions

- The new plan aims to cap the total amount of itemized deductions at \$100,000 for single filers and \$200,000 for joint filers.
 - According to today's rules, if you are in the top 39.6% bracket, each \$1,000 donated to a charity in 2016 will result in federal tax savings of about \$400. But if President-elect Trump's plan becomes official in 2017, that same donation next year could yield a tax savings of only about \$330 (under the proposed top 33% bracket).
 - People in higher income brackets who plan to make charitable donations in the future should consider bunching or front-loading their donations for the next several years by making larger gifts before Dec. 31.

Alternative Minimum Tax

- The proposed plan eliminates the [Alternative Minimum Tax](#) for individuals and businesses.

Child Care

- Trump is proposing changing the tax code to allow parents to deduct the cost of child care from their income taxes up to the average cost in their state. The deduction would be available for up to four children up to age 13 and elderly dependents and would apply to individuals earning up to \$250,000 a year and couples filing jointly earning up to \$500,000.
- The Trump administration may also provide "spending rebates" for lower-income taxpayers for childcare expenses through the earned income tax credit. This credit can lessen the burden that child care costs may have on the budget of working parents.

Small Business Expensing

- The new plan enhances [Code Sec. 179](#) small business expensing.
 - Essentially, Section 179 allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy or lease a piece of qualifying equipment, you can deduct the full purchase price from your gross income.

Affordable Care Act

- During the campaign, President-elect Trump proposed to repeal the [Affordable Care Act](#) (ACA). Post-election, it appears that the president-elect is open to retaining some of the ACA including coverage for children under the age of 26.

To put it mildly, 2017 could turn out to be an interesting year for the American taxpayer. For information on how these proposed tax laws will affect you or your business, contact Cowan, Guteski & Co., P.A.'s [Tax Services Department](#).

Source: *Charitable givers, Trump's tax plan means move fast.* (2016, December 5). Retrieved December 15, 2016, from <http://www.cbsnews.com/news/charitable-givers-trumps-tax-plan-means-move-fast/>

Source: *3 Questions About Trump's Child Care Proposal.* (2016, September 13). Retrieved December 15, 2016, from <http://time.com/money/4490116/three-questions-about-trumps-child-care-proposal-tax-deduction/>

