



The Tax Cuts and Jobs Act of 2017: What Does It Mean to You?



Important Information

- General concepts only
- Unique situations = unique results
- Pacific Life and its representatives do not provide tax or legal advice
- Pacific Life and its representatives are not fiduciaries
- Investors should seek specific tax and legal advice from their attorneys or tax advisors

Agenda

What is the Act?

But Will MY Taxes Go Down?

How to Change with the Changes

Does My Legacy Planning Change?

What Should I Do?

**Do you think the new tax act will change how you file, that is,
itemized versus standard deduction?**



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Total Results

The Tax Cuts and Jobs Act of 2017 (TCJA)

- First significant tax act in 32 years
- Changes affect individuals and businesses
- Key dates:
 - Signed into law on December 22, 2017
 - Most provisions are effective January 1, 2018
 - Many provisions affecting individuals will **sunset** after 2025, including lower tax rates



Watch for and keep track of the “sunsets”.



Income-Tax Provision for Individuals

Reduction in federal income-tax rates scheduled to sunset at the end of 2025 

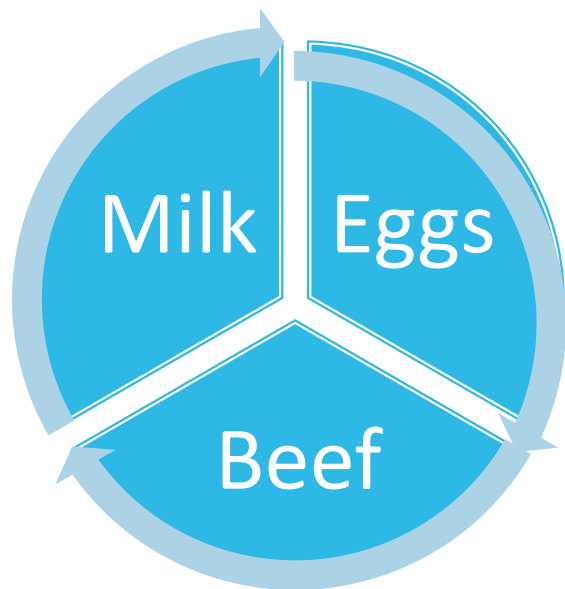
2018 Tax Brackets

Tax Rate	Single Taxpayer	Married Filing Jointly
Same - 10%	\$0 – \$9,525	\$0 – \$19,050
12% (<i>from 15%</i>)	> \$9,525 but < \$38,700	> \$19,050 but < \$77,400
22% (<i>from 25%</i>)	> \$38,700 but < \$82,500	> \$77,400 but < \$165,000
24% (<i>from 28%</i>)	> \$82,500 but < \$157,500	> \$165,000 but < \$315,000
32% (<i>from 33%</i>)	> \$157,500 but < \$200,000	> \$315,000 but < \$400,000
35% (<i>no change</i>)	> \$200,000 but < \$500,000	> \$400,000 but < \$600,000
37% (<i>from 39.6%</i>)	> \$500,000	> \$600,000

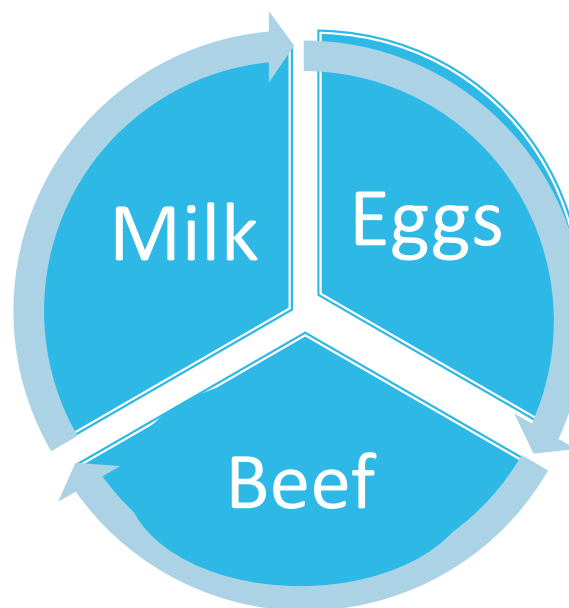
“Chained” CPI-U for Inflation Index

- The Act substitutes the “chained” CPI-U for current CPI-U

CPI-U




“Chained” CPI-U



NOTE: *The change in CPI calculation formula DOES NOT SUNSET.*

Investment Taxes

- No changes to rates on long-term capital gains and qualified dividends
 - Brackets have shifted slightly 
 - Short-term capital gains are still taxed as ordinary income
 - 3.8% Net Investment Income Tax (NIIT) still in place

Long-Term Capital Gains Tax	Single Taxpayer	Married Filing Jointly
0%	Up to \$38,600	Up to \$77,200
15%	> \$38,600 but < \$425,800	> \$77,200 but < \$479,000
20%	> \$425,800	> \$479,000

Generally, these percentages apply to tax years 2016 and through 2025.

But Will MY Taxes Go Down?!



UP



Down

How Will You Determine Your Taxable income?

Filing Status Check only one box

1 ☐ Single

2 ☐ Married filing jointly (even if only one had income)

3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶

4 ☐ Head of household (with qualifying person). (See instructions the qualifying person is a child but not your dependent, and child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a ☐ Yourself. If someone can claim you as a dependent, **do not** check box 6a

b ☐ Spouse

c Dependents:

(i) First name	Last name	(ii) Dependent's social security number	(iii) Dependent's relationship to you	(iv) <input type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed

If more than four dependents, see instructions and check here ▶ ☐

Boxes checked on 6a and 6b

No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ▶

Will Certain Adjustments Reduce Your Income?

Adjusted Gross Income	23	Educator expenses	23			
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
	25	Health savings account deduction. Attach Form 8889	25			
	26	Moving expenses. Attach Form 3903	26			
	27	Deductible part of self-employment tax. Attach Schedule SE	27			
	28	Self-employed SEP, SIMPLE, and qualified plans	28			
	29	Self-employed health insurance deduction	29			
	30	Penalty on early withdrawal of savings	30			
	31a	Alimony paid X Recipient's SSN 	31a			
	32	IRA deduction	32			
	33	Student loan interest deduction	33			
	34	Tuition and fees. Attach Form 8917	34			
	35	Domestic production activities deduction. Attach Form 8803	35			
36	Add lines 23 through 35	36				
37	Subtract line 36 from line 22. This is your adjusted gross income	37				

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cal. No. 11320B

Form 10


Deductions: Standard or Itemized

Tax Filing Status	Pre TCJA	New Standard Deduction
Single	\$6,500	\$12,000
Married Filing Jointly	\$13,000	\$24,000
Married Filing Separately	\$6,500	\$12,000
Head of Household	\$9,550	\$18,000

The \$1,300 deduction for age 65 or older, blind, or disabled is added to the standard deduction.

Form 1040NR (2018)

Pt

 Tax and Credits	37	Amount from line 36 (adjusted gross income)	37	
	38	Itemized deductions from page 3, Schedule A, line 15	38	0
	39	Subtract line 38 from line 37	39	
	40	Exemptions (see instructions)	40	
	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41	0



Changes to deductions sunset after 2025.

What Deductions Can I Still Use?

State and local taxes (SALT)	<ul style="list-style-type: none">• Capped at \$10,000 for most• Doesn't apply to businesses
Mortgage interest	<ul style="list-style-type: none">• New loans are capped at \$750,000 of debt• Home equity loans ONLY if used for acquisition cost, such as to buy, build, or improve the property
Charitable	<ul style="list-style-type: none">• Limits for cash gifts increased from 50% to 60% of AGI• No change to contributions of securities and other assets.



Changes sunset in 2025.

Child and Dependent Tax Credit

	48 Retirement savings contributions credit. Attach Form 8880	48			
	49 Child tax credit. Attach Schedule 8812, if required	49			
	50 Residential energy credits. Attach Form 5695	50			
	51 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	51			
	52 Add lines 46 through 51. These are your total credits	52			0
	53 Subtract line 52 from line 45. If line 52 is more than line 45, enter -0-	53			0
Other Taxes	54 Tax on income not effectively connected with a U.S. trade or business from page 4, Schedule NEC, line 15	54			B
	55 Self-employment tax. Attach Schedule SE (Form 1040)	55			
	56 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	56			
	57 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	57			

Non-Child Dependent Tax Credit

- Credit of \$500
- Applies to qualifying relative
- Taxpayer provides >50% of support

Child Tax Credit

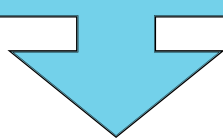
- Credit increased up to \$2,000
- Age 19, 24 if student
- Phase-out thresholds higher
\$400,000 (joint returns) or
\$200,000 (all others)
- For qualifying taxpayers, portion of
child credit is refundable



Changes sunset in 2025.

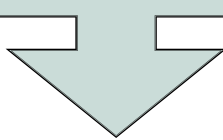
Exemption Deduction versus Credit

Tax Deductions
Reduce
Taxable Income



\$1,000 Tax Deduction
32% Tax Bracket
= \$320 tax savings

Tax Credits
Reduce
Income Tax



\$1,000 Tax Credit
Any Tax Bracket
= \$1,000 tax savings

Does the Alternative Minimum Tax (AMT) Apply?

Tax and Credits	37	Amount from line 36 (adjusted gross income)	37		
	38	Itemized deductions from page 3, Schedule A, line 15	38	0	0
	39	Subtract line 38 from line 37	39		
	40	Exemptions (see instructions)	40		
	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41	0	0
	42	Tax (see instructions). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	42		
	43	Alternative minimum tax (see instructions). Attach Form 6251	43		
	44	Excess advance premium tax credit repayment. Attach Form 8962	44		



Exemption	Phase-Out Begins
Pre TCJA: <ul style="list-style-type: none"> • \$54,300 (Single) • \$84,500 (Joint Filers) After 2017: <ul style="list-style-type: none"> • \$70,300 (Single) • \$109,400 (Joint Filers) 	Pre TCJA: <ul style="list-style-type: none"> • \$120,700 (Single) • \$160,900 (Joint Filers) After 2017: <ul style="list-style-type: none"> • \$500,000 (Single) • \$1,000,000 (Joint Filers)



Changes sunset in 2025.

Do You Have a Business?

- C corporation rates simplified to a flat rate of 21%
 - Corporate alternative minimum tax (AMT) repealed
- Certain pass-through income may receive a 20% exemption

Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
	8a	Taxable interest. Attach Schedule B if required	8a	
	b	Tax-exempt interest. Do not include on line 8a	8b	
	9a	Ordinary dividends. Attach Schedule B if required	9a	
	b	Qualified dividends	9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
	14	Other gains or (losses). Attach Form 4797	14	
	15a	IRA distributions	15a	
	b	Taxable amount	15b	
	16a	Pensions and annuities	16a	
	b	Taxable amount	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Social security benefits	20a	
	b	Taxable amount	20b	
	21	Other income. List type and amount	21	
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income .	22	

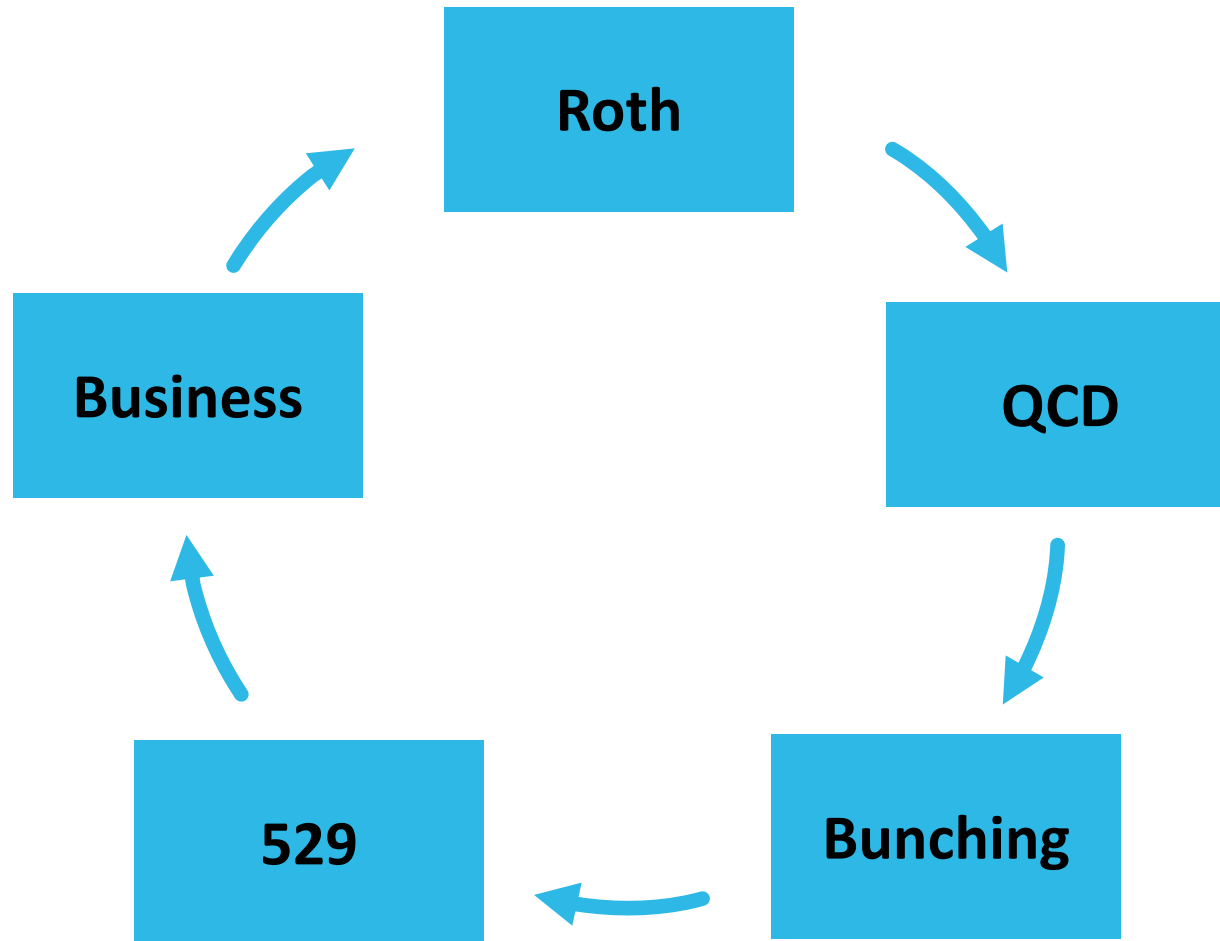
Schedule C

Schedule E
Pass-through



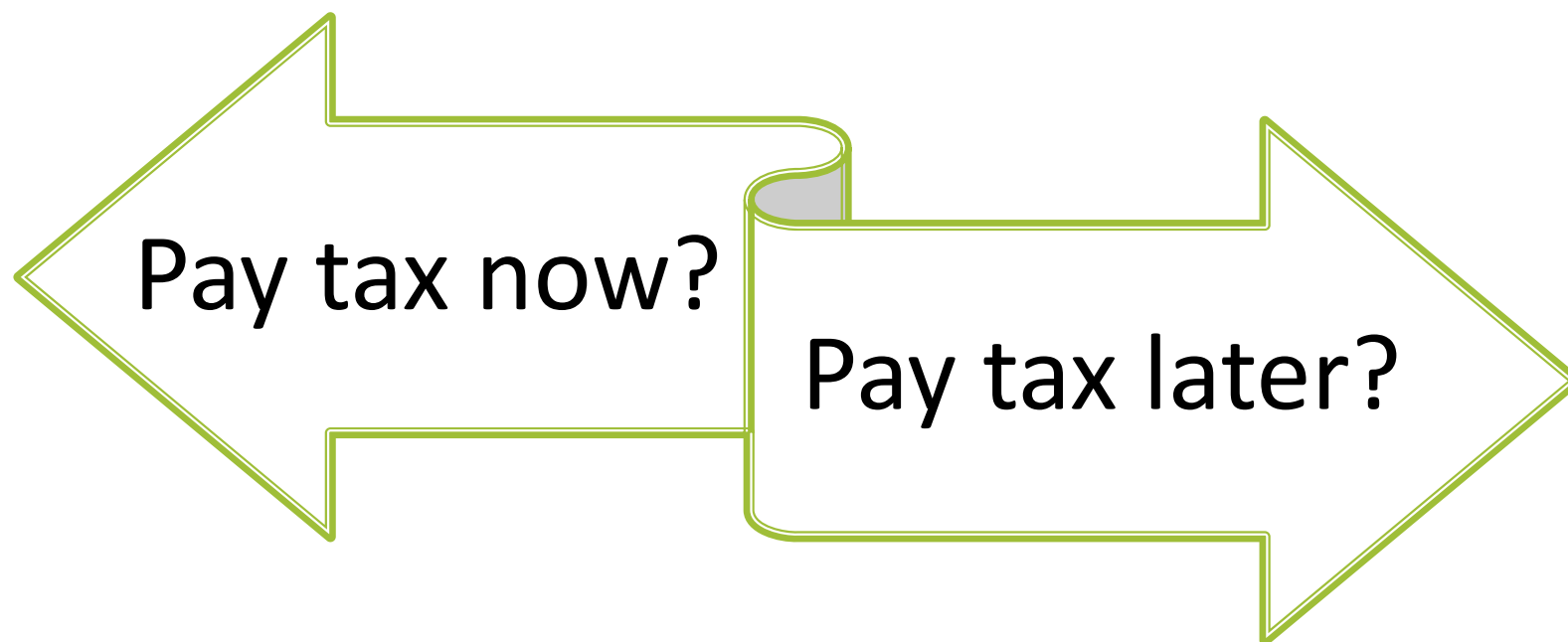
The C corporation tax changes DO NOT sunset.

How to Change with the Changes.

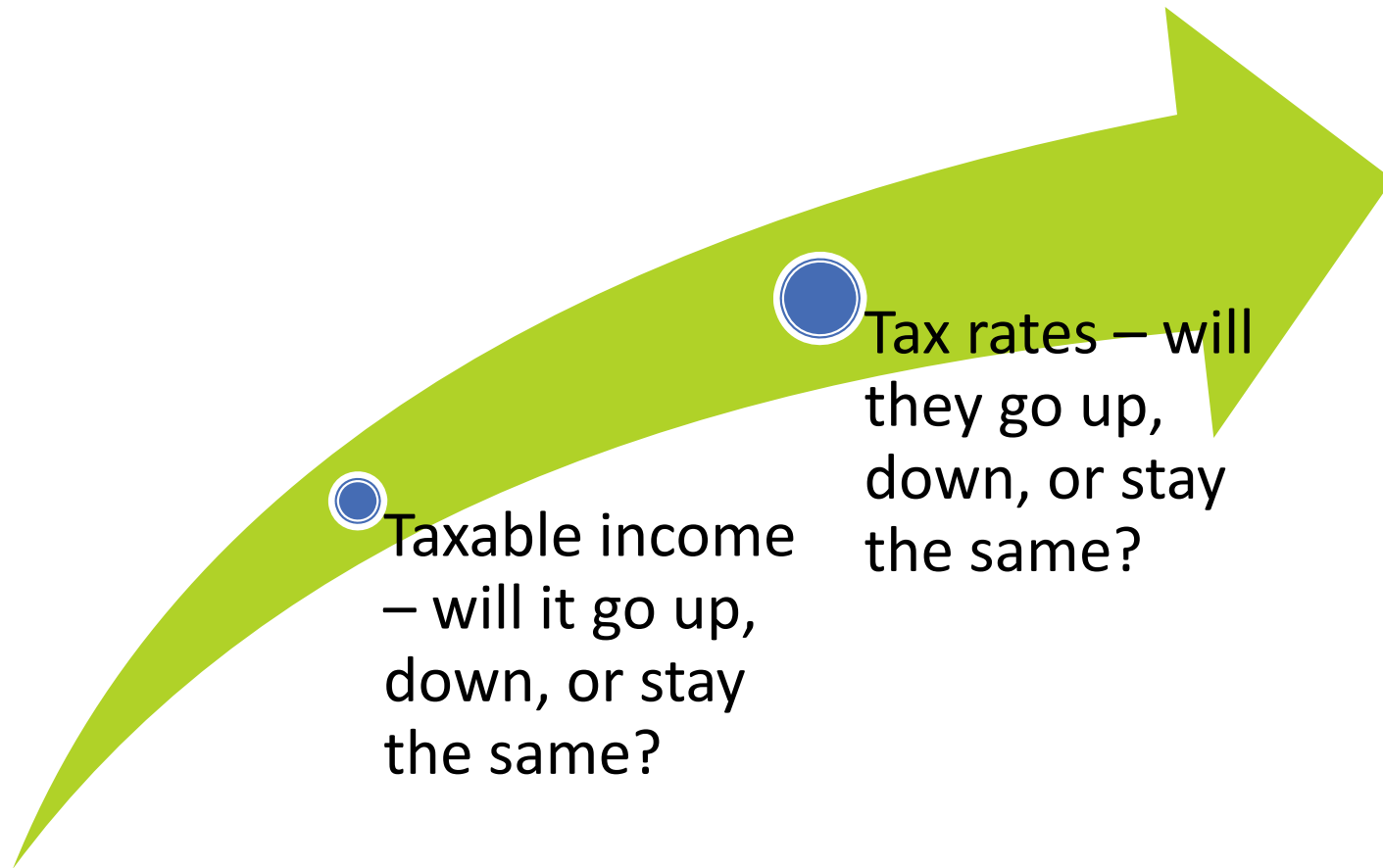


Caution: Always consult your tax advisor!

After Reform, Is a Roth IRA Now Right for Me?



It Will Depend on . . .








Backdoor Roth IRA Contributions (under age 70½)

Nondeductible
contribution to
traditional
IRA: Day 1/Year 1

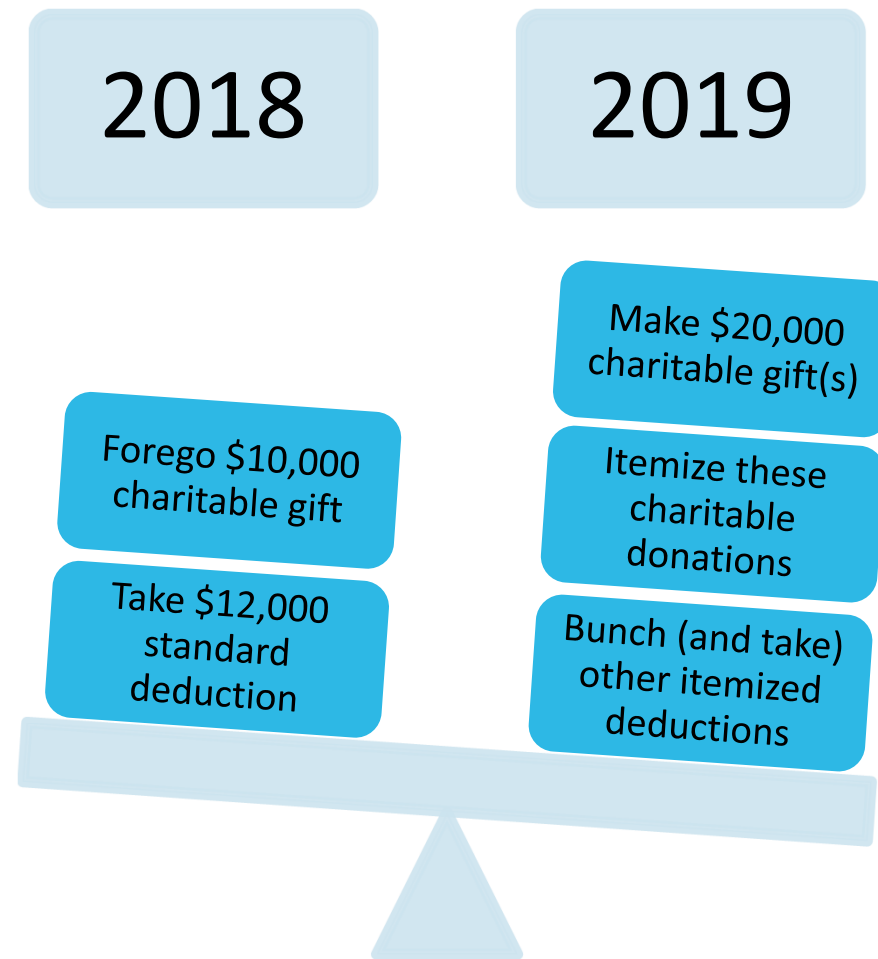
Conversion of
traditional IRA:
Day 2 –
12/31/Year 1

BEWARE
THE IRA
AGGREGATION
RULE

Qualified Charitable Distributions (QCDs) for RMDs – and No Need to Itemize


Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2		7		
	8a	Taxable interest. Attach Schedule B if required		8a		
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.	b	Tax-exempt interest. Do not include on line 8a	8b			
	9a	Ordinary dividends. Attach Schedule B if required		9a		
If you did not get a W-2, see instructions.	b	Qualified dividends	9b			
	10	Taxable refunds, credits, or offsets of state and local income taxes		10		
Enclose, but do not attach, any payment. Also, please use Form 1040-V.	11	Alimony received		11		
	12	Business income or (loss). Attach Schedule C or C-EZ		12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> 		13		
	14	Other gains or (losses). Attach Form 4797 		14		
	15a	IRA distributions	15a	\$5,000 	b	Taxable amount
	15b				15b	\$0 (QCD) 
	16a	Pensions and annuities	16a		b	Taxable amount
	16b				16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17		
	18	Farm income or (loss). Attach Schedule F		18		
	19	Unemployment compensation		19		
	20a	Social security benefits	20a		b	Taxable amount
	20b				20b	
	21	Other income. List type and amount		21		
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income 		22		

Itemizing by Bunching Annual Charitable Gifts.




New Rules for Savings Accounts for Education

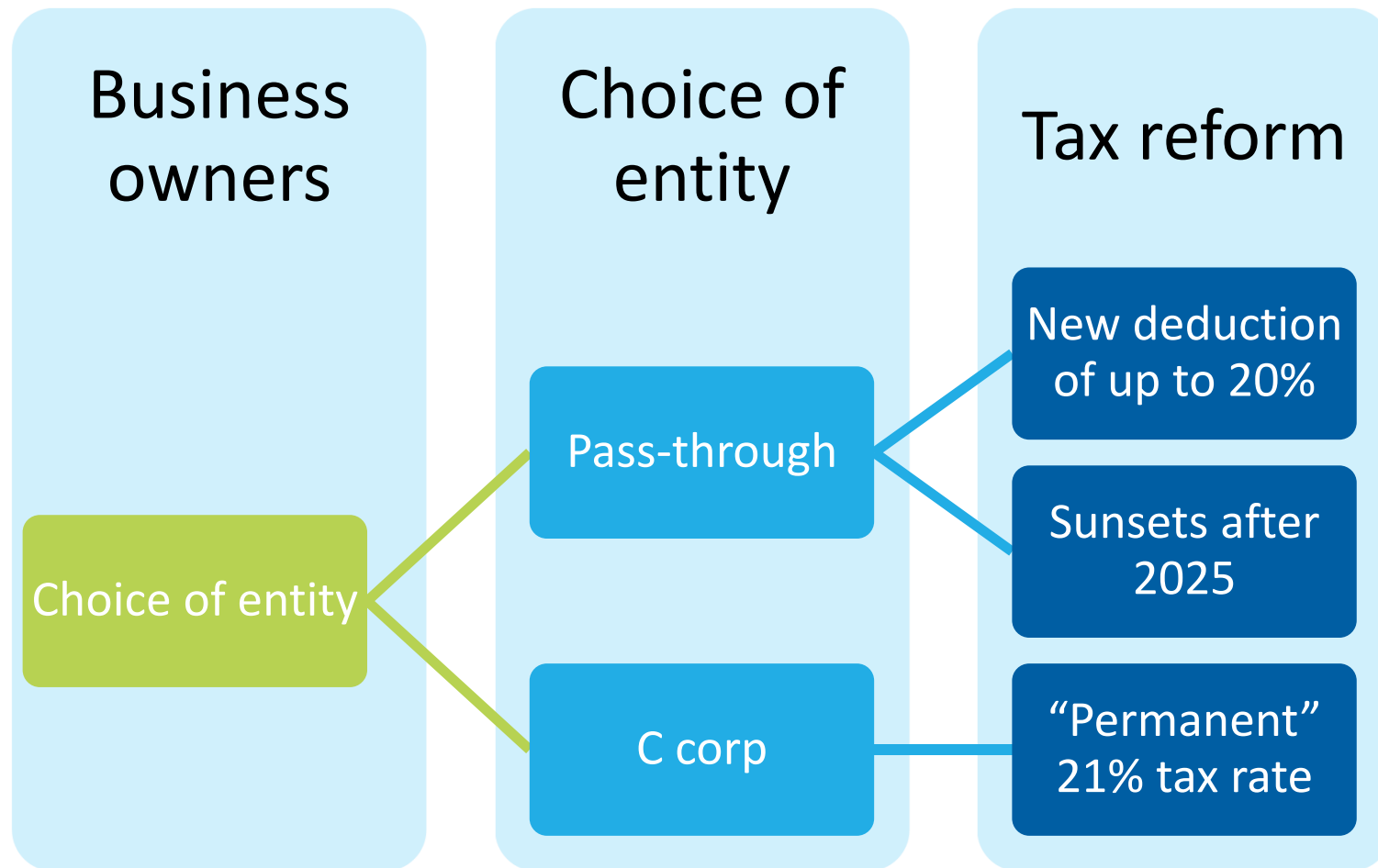
529 Plans

- Tax-free distributions for K–12
- Up to \$10,000 per beneficiary each year
- Public, private, or religious
- Does not sunset 

529A Plans


- Rollovers to 529A, or ABLE accounts
- \$15,000 per beneficiary per year (gift limit)
- Sunsets after 2025 

Should I Change How My Business is organized?



Transfer Taxes: Exemptions

No Change	<ul style="list-style-type: none">• Top rate: 40%• Lifetime and transfers at death• Includes generation-skipping transfer (GST) tax
Increased Unified Credit	<ul style="list-style-type: none">• Individual: \$11.18M⁽¹⁾• Married: \$22.36M⁽¹⁾• Portability
New CPI	<ul style="list-style-type: none">• Old: CPI-U⁽²⁾• New: C-CPI-U⁽²⁾

¹Revenue Procedure 2018-18, 2018-10 IRB 392; sunsets after 2025. 

²Bureau of Labor Statistics, 2018.

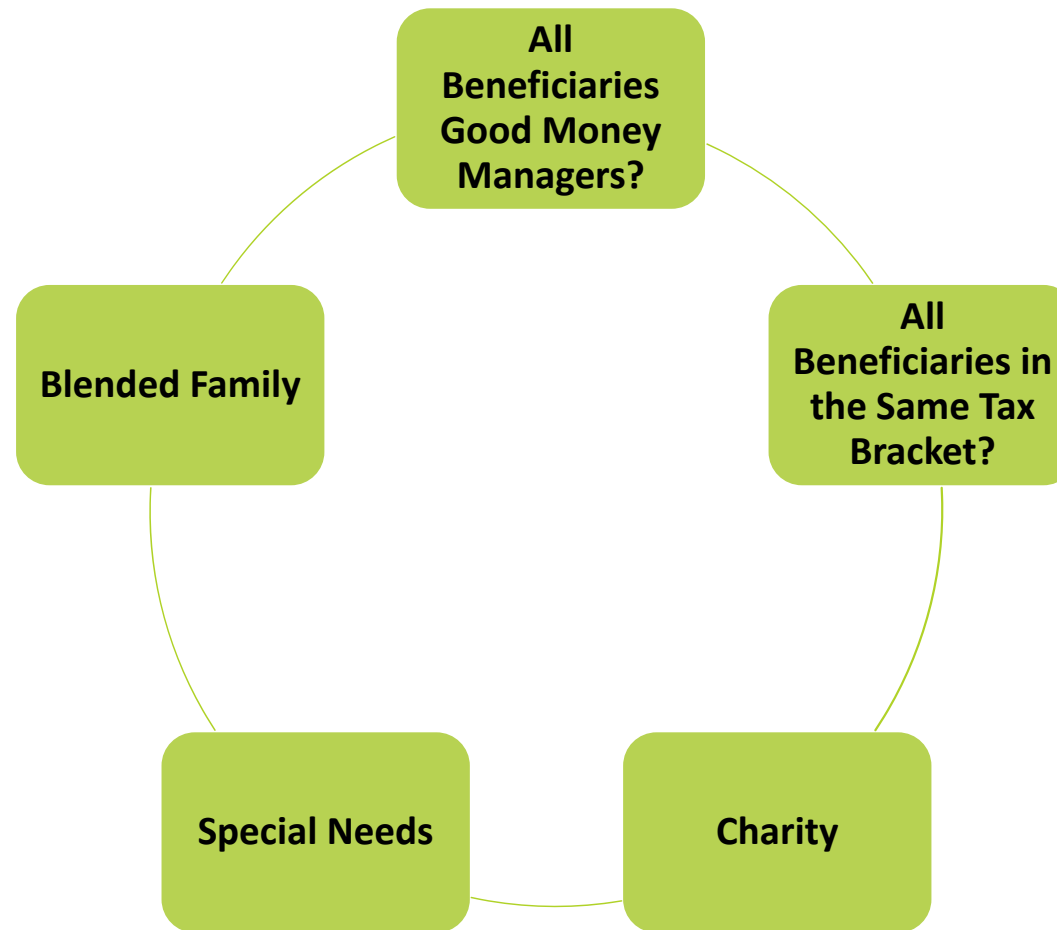
OK, We Don't Have \$22,360,000

- Income taxes may still be an issue
- TCJA retained step-up in basis
 - Most assets step up to the value on the date of death
 - Some do not, which creates income-tax liability
- Who should pay the tax?



No estate taxes, no worries?

- Planning Is Important, Even if Taxes Are Lower



How many sunset emojis did you find?



5

8

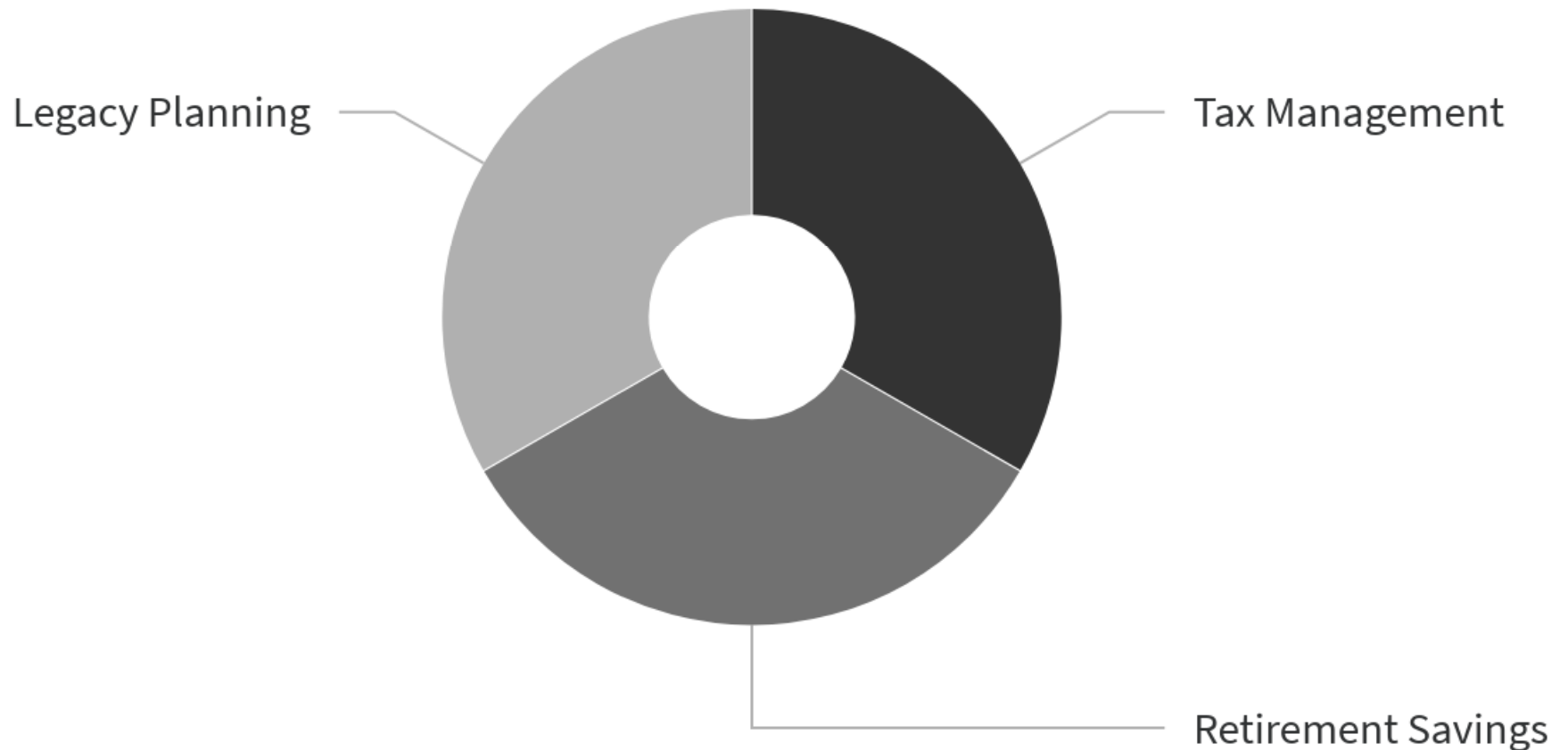
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Total Results

Tell us — What is your greatest concern?

Tax Management A **Retirement Savings B** **Legacy Planning C**



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Total Results

In Summary

- The many changes in the tax law mean that different taxpayers will see different results.
- 80% of taxpayers are projected to have a tax decrease; 5% will have a tax increase.
- If you will have tax savings, where should you dedicate those assets?
- Now is a good time to review where you are relative to retirement and estate-planning goals.
- Take the time to consult your advisors.

ANY
QUESTIONS



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