

The House and Senate have voted to approve the compromise tax reform bill and final tax reform legislation is headed to President Donald Trump for his signature. The new tax legislation will impact the taxation of individual taxpayers and trusts through adjustments in income tax rates, an increase in the exemption amount under the alternative minimum tax (AMT), and limitations on personal exemptions and itemized deductions (including a significant reduction in the state and local tax deduction). While many of the anticipated changes do not require immediate action, there are some important issues that should be considered prior to the end of the year in order to maximize your tax position.

Please see our recent [Tax Release](#) addressing the conference committee's compromise bill (Conference Agreement) for an overview of the agreed-upon legislation. For a more detailed explanation of key Conference Agreement tax reform proposals, please see [Conference Agreement Tax Reform Proposals – Highlights of Key Items](#).

## What to Do Before December 31, 2017

Below are some suggestions on what actions generally need to be taken with respect to individual taxpayers and trusts before the end of 2017 in order to optimize a tax position ahead of the expected effective date of pending tax reform legislation. These recommendations are general in nature and may vary depending on the unique facts and circumstances of the taxpayer or trust. One size does not fit all when it comes to year-end planning especially in this tax reform environment, so please keep this caveat in mind as you read through the list.

1. Pay all 2017 state and local income taxes.
2. Pay all outstanding real estate liens. If you have a bill in hand for 2018 property taxes, pay the bill before December 31, 2017.
3. Consider deferring income that would be eligible for a new deduction on income from pass-through entities in 2018.
4. Consider accelerating income that would not be eligible for the new pass-through income deduction AND paying corresponding state and local taxes on the accelerated income by December 31, 2017.
5. Consider accelerating or deferring optional charitable contributions based on taxpayer's specific situation. Discuss investment in a donor advised fund if accelerating charitable contributions but want to defer decisions on where funds will be distributed until a later date.
6. Consider accelerating income if you are subject to AMT and the AMT rate is lower than your projected tax rate in 2018.
7. Consider paying state income tax and investment management fees even if subject to AMT as the deduction may reduce net investment income tax (3.8%) and will otherwise be nondeductible in 2018.
8. For taxpayers not subject to the AMT, consider prepaying investment advisor fees, tax return preparation fees, and miscellaneous itemized deductions as the deductibility of these items may be eliminated or limited starting in 2018. This is more significant for individual taxpayers but may also be a relevant consideration for trusts in terms of timing.
9. Consider accelerating long-term (LT) capital gain if you are not in AMT and would not be subject to AMT as a result. Accelerated LT capital gain income will be taxed at the lower 20% rate while the state taxes generated and paid by year end would offset ordinary income.
10. Consider like-kind exchanges on property other than real estate (airplanes, art collections) before 2018 when like-kind exchanges will be limited to real estate transactions.

## The Takeaway

Although some general recommendations can be offered to individual taxpayers and trusts in terms of year-end planning ahead of tax reform, every taxpayer has a unique position and ideally decisions should be made on a case-by-case basis. Conclusions as to how to achieve the highest tax benefit may change based on the rate differential and in particular, whether the taxpayer will be subject to the alternative minimum tax in light of the increased exemption amount.

Please contact us so that we can provide a more detailed discussion of the potential impact of pending tax reform legislation and prepare a tailored plan to address the nuances of your specific tax situation.

For further information please contact your Andersen Tax advisor.