Tax Bulletin:
2018 Year-End Tax Planning Considerations

By Michael Davidson and Sean Hallisey

As the end of the year approaches we here at Chilton Trust would like to highlight a handful of topics we think will help maximize efficiency in both your income and estate tax planning. We hope that we can get you thinking about your current tax situation and how to better plan for your future.

Housecleaning

Outlined below are ideas every taxpayer should be sure to address before the end of the year. Please reach out to your tax accountant or financial adviser if you have questions about any of these:

- **Maximize your annual gift exclusion(s).** Single taxpayers can gift up to $15,000 and married taxpayers can gift up to $30,000 per recipient without being subject to the gift tax. Ask your tax adviser for more details on what gifts may qualify for this treatment.
- **Utilize the increased lifetime gift and estate tax exclusion while it is in effect.** The Tax Cut and Jobs Act increased the lifetime estate and gift exclusion to $11,180,000 per taxpayer. Please note that some states have their own estate or gift tax exemption limits, which do not always match the federal amounts. Consult your tax adviser to confirm your estate plans have taken this into consideration.
- **Consider a Qualified Charitable Contribution (QCD).** For charitably inclined taxpayers who are required to take Required Minimum Distributions (RMD) from retirement accounts, and who do not need the money to live, up to $100,000 per taxpayer ($200,000 Married Filing Joint (MJF)) can be treated as a QCD.
- **Time capital gains with capital losses.** Your financial adviser is probably already practicing this with current year activity, but check with your tax adviser to see if you have any capital loss carryovers to offset other potential gains you could accelerate into 2018.
- **Plan the timing of deductions.** With the new increased standard deduction (discussed later), taxpayers who have historically itemized may not exceed the standard deduction. Pay attention to the timing of medical bills, taxes and charitable contributions. If it makes sense accelerate or defer the payment into another year to take advantage of the higher standard deduction.

Tax Update

At the end of 2017 the Tax Cuts and Jobs Act was signed into law. There were many changes which will affect individual taxpayers. Some of the more prevalent changes are as follows:

- The personal exemption has been eliminated
- The standard deduction has been increased to $12,000 per taxpayer ($24,000 MFJ).
- The deduction for state and local taxes (including income and real estate taxes) has been limited to $10,000.

- The deduction for mortgage interest, on mortgages originated after December 15, 2017, is limited to the interest on the first $750,000 of a mortgage. Mortgages originated prior to December 15, 2017 are still subject to the $1 million limitation.
- The deduction for interest on home equity lines of credit has been eliminated.
- The deduction for miscellaneous itemized deductions has been eliminated. This includes tax prep fees, investment advisory fees and unreimbursed employee expenses, among others.
- Cash charitable contributions can now be deducted up to 60% of Adjusted Gross Income (AGI), increased from 50% under the old law.
- The highest marginal rate dropped from 39.6% to 37% and kicks in at $500,000 ($600,000 MFJ).
- Business losses in excess of $500,000 are suspended and carried forward as a Net Operating Loss (NOL).
- 529 plans can now be used for tuition expenses at elementary or secondary public, private or religious schools.
- Generally speaking, the deduction for, and inclusion of, alimony payments has been eliminated for tax years beginning after 2018.
- If you are a business owner, you may be able to benefit from the new Qualified Business Income (QBI) deduction. The rules to qualify are complicated. Consult your tax adviser to see if you qualify.

Planning Ideas

In addition to the yearly maintenance items, you may want to think about other planning items:

- Taxpayers with large state liabilities may want to look into purchasing state tax credits. Common transferable tax credits include film credits, low income housing credits and rehabilitation credits. Consult your tax advisor to see if these credits would be right for you.
- Taxpayers with large federal (and certain state) liabilities who have charitable intent may want to look into buying into a conservation easement. Consult your tax adviser to see if this strategy is right for you.
- Do you own highly appreciated art or real estate that you haven't sold because you don't want to pay a large tax bill? Consider contributing these assets to a CRUT or CRAT and not only deferring the tax liability, but also getting a charitable contribution you can deduct against your income for the year. Consult your tax adviser to see if this strategy is right for you.
- For taxpayers who want to make donations to charity but want the most efficient way to do so, they should consider donating appreciated securities with low basis. If you are not sure which charities you would like to donate to, you can set up a Donor Advised Fund and contribute to the Fund while you decide. This is a good tool to use if you want to lump two years' worth of contributions together into one tax year, but donate to the charities in different years. Consult your tax adviser to see if this strategy is right for you.

- Do you own real estate in a business or for investment purposes but want a different piece of property? You may qualify for a 1031 exchange which will defer any gain which has appreciated on the property you own. The rules for 1031 exchanges are complicated, consult your tax adviser to see if this is right for you.
- Consider the one-time 529 plan contribution. For 2018 this is a $75,000 contribution per taxpayer ($150,000 MFJ) to each beneficiary's 529 plan. This contribution is treated as being made ratably over five years and a gift tax return needs to be filed. This is a great way to maximize earning potential in the 529 plan and helps reduce your estate. Keep in mind other gifts to the same recipients could be considered "taxable gifts".

If you have any questions regarding any topics mentioned above or would like to discuss other tax related topics, please feel free to contact the Chilton Trust tax team at CTCTax@chiltontrust.com. We are always available and happy to assist however possible.

Michael Davidson, EA - Tax Manager
(646) 443-7884
mdavidson@chiltontrust.com

Mr. Davidson is a Tax Manager in the Family Office Services Group for Chilton Trust. Prior to joining the firm, Mr. Davidson was a Tax Manager at Aprio, LLP, an Atlanta based CPA firm, where he advised clients on their multi-generational income and estate tax issues specializing in complicated fiduciary income tax issues. Mr. Davidson earned his B.B.A. in Accounting from Kennesaw State University. Mr. Davidson is an Enrolled Agent.

Sean Hallisey, CPA - Tax Senior Associate
(203) 352-4106
shallisey@chiltontrust.com

Mr. Hallisey is a Tax Associate in the Family Office Services Group for Chilton Trust. Prior to joining the firm, Mr. Hallisey was a Tax Associate at Andersen Tax LLC where he began his career specializing in ultra high net worth individual and alternative investment taxation services. Mr. Hallisey earned his B.A. in International Affairs from George Washington University and his Masters in Business Administration from the University of Notre Dame. Mr. Hallisey is a Certified Public Accountant.

www.ChiltonTrustCompany.com

Charlotte	New York	Palm Beach	Stamford	Wilmington
5925 Carnegie Boulevard	300 Park Avenue	396 Royal Palm Way	1290 East Main Street	1105 North Market Street
Charlotte, NC 28209	New York, NY 10022	Palm Beach, FL 33480	Stamford, CT 06902	Wilmington, DE 19801
Phone: (980) 227-3101	Phone: (212) 843-6882	Phone: (561) 598-6330	Phone: (212) 843-6882	Phone: (302) 466-3501