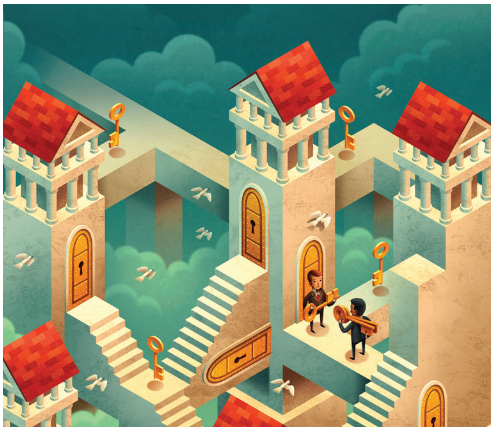

KLINGENSTEIN FIELDS
WEALTH ADVISORS

VIEWPOINT

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in this issue

- **The new tax laws apply mostly to the 2018 tax year and beyond, but it's never too early to prepare.**

Kenneth D. Pollinger
Co-Chairman and Chief Executive Officer

Klingenstein Fields Wealth Advisors is committed to providing our clients with insights to help them manage their financial lives. ViewPoint regularly delivers perspectives on an array of topical investment, market and planning topics. Please enjoy.

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Feeling taxed? How to navigate the new laws

In December 2017, the Tax Cut and Jobs Act of 2017 (TCJA) was signed into law. This legislation ushers in some of the most significant revisions to the U.S. tax code in more than 30 years. Some of the provisions are highly complex and tax specialists and investors are looking to the IRS for further guidance.

"Although most of the provisions apply to the 2018 tax year and to your 2019 returns, consideration of the law's multifaceted nuances are all the more reason to prepare early," notes Shomari Gilyard, Director, Wealth Planning at Klingenstein Fields Wealth Advisors (KFWA). "In my recent meetings with clients, this has been one of the top issues that we address."

What didn't change

Capital gains. The general structure of the capital gains tax will stay the same. But the tax rates and brackets for ordinary income have changed. As a result, it is likely short-term capital gains will be taxed at a different rate than they were previously.

Estate tax portability. The unused estate tax exclusion from a deceased spouse is still "portable" to surviving spouses. This means that couples with combined estates of up to $22.4 million, at the time of the survivor's death, are exempt from estate tax. The $22.4 million exemption amount, however, represents a significant increase from the $10.98 million limit in 2017.

What has changed

In a nutshell, the major changes to the laws include:

- An increase in the standard deduction for both single/married filers and the elimination of personal exemptions
- Estate and gift tax limits
- Tax breaks for charitable donations
- Caps on state and local tax deductions (SALT)
- Curbs on deductions for home mortgage interest
- Business taxation

2017 TAX BRACKETS AND RATES (INDIVIDUAL)	
10%	$0 - $9,325
15%	$9,326 - $37,950
25%	$37,951 - $91,900
28%	$91,901 - $191,650
33%	$191,651 - $416,700
35%	$416,701 - $418,400
39.6%	$418,401 or greater
Standard Deduction: $6,350 Exemption: $4,050	

2018 TAX BRACKETS AND RATES (INDIVIDUAL)	
10%	$0 - $9,525
12%	$9,526 - $38,700
22%	$38,701 - $82,500
24%	$82,501 - $157,500
32%	$157,501 - $200,000
35%	$200,001 - $500,000
37%	$500,001 or greater
Standard Deduction: $12,000 Exemption: Eliminated	

The standard deduction goes up. The standard deduction has roughly doubled to $12,000 and $24,000 for singles and couples, respectively. The personal exemption has been eliminated (previously a maximum of $4,050 per taxpayer, spouse and dependent).

Estate and gift tax limits. The 40% federal estate tax rate won't change, but as previously mentioned, in 2018, the exemption will double to nearly $11.2 million for singles and $22.4 million for couples for tax years 2018 through 2025. Also, an inflation adjustment raised the gift tax exclusion to $15,000 and $30,000 for singles and couples, respectively, beginning in 2018.

Charitable giving. In order to itemize your deductions in 2018, your total charitable donations, along with state and local taxes, mortgage interest and other itemized deductions must exceed the new higher standard deduction amounts. That means many taxpayers may not get a tax benefit from donating to specific charities next year. Fortunately, high-net-worth taxpayers have many other possible ways to donate including donor-advised funds, charitable remainder trusts, aggregating several years of donations into one single year or other strategies.

Property, state and local tax (SALT) and mortgage deductions. Under the new tax laws, combined property, state and local income tax deductions are limited to $10,000 (previously there was no limit). In addition, the loan amount limit for mortgage interest deductibility drops from $1.0 million to $750,000 (applies to new mortgages only).

Business taxation. A new 20% deduction in taxable income for pass-through entities (such as partnerships, LLCs, and S corporations) generally caps at $157,500 for singles or $315,000 for couples. The deduction eventually phases out for higher income levels and may not apply at all to owners of certain types of businesses, or doctors, lawyers, accountants, or financial advisors. **Note:** *there are many gray areas in this provision; stay tuned for further guidance and clarification.*

More information can be found at:
irs.gov/newsroom/tax-reform
taxfoundation.org

The new tax laws are still being interpreted, but KFWA is here to help. We continue to closely monitor updates in the laws and can help you consider the impact of the changes on your 2018 goals and your long-term wealth strategy.

As always, we welcome the opportunity to meet with you personally to discuss the new tax laws and answer your questions. For more information or to arrange a meeting, please contact your Wealth Advisor directly or KFWA at (212) 492-7000 or info@klingenstein.com.

A Deep Heritage of Wealth Management

With a distinguished history of over twenty-five years in wealth management, Klingenstein Fields Wealth Advisors can help you and future generations preserve and grow your wealth. We remain privately owned and controlled by active management, without the distractions that publicly-owned companies face. As a result, our sole focus is on the long-term financial success of our clients. Our owners invest alongside you, helping ensure our interests remain aligned with yours.

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