

MAY/JUNE 2018

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## *How the Tax Cuts and Jobs Act of 2017 Impacts Estate Planning*

2018 brings several changes – and a few constants – to estate and gift tax law. At Curchin's recent seminar on the key areas of change in the Tax Cuts and Jobs Act of 2017 (TCJA), I discussed the most noteworthy items relating to estate and gift tax, including:

### **Basic Exclusion Increase**

Under the new tax law, the basic exclusion has more than doubled from \$5 million per person to nearly \$11.2 million per person. This number is derived from a chained CPI approach and means that each person has approximately \$11.2 million to gift during their life or at death, aside from any previous gifting.

### **Annual Gift Tax Exclusion Increase**

The annual gift tax exclusion has increased from \$14,000 to \$15,000 per person. For gifts made in stock or any other non-cash item, we recommend filing a gift tax return to memorialize fair market value and show basis.

### **"Clawback" Potential**

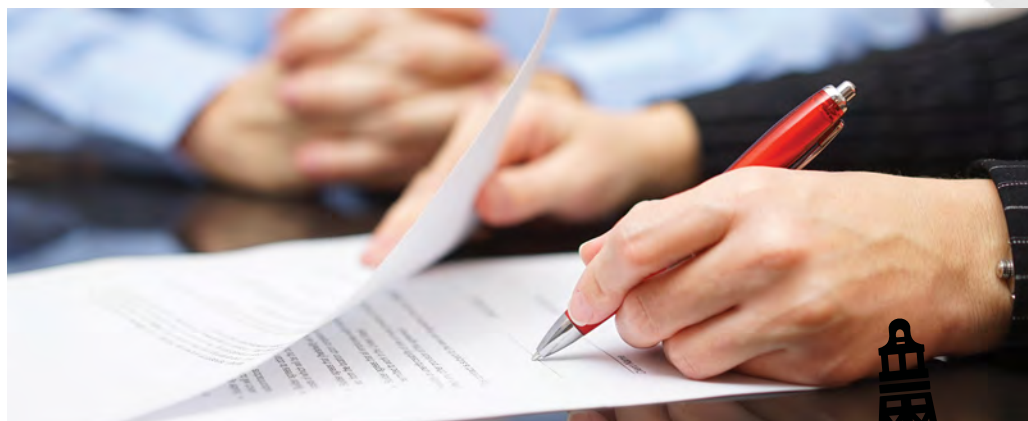
With the \$11.2 million exclusion set to lapse in 2025, there is concern that if the exclusion were to drop back down closer to the previous \$5 million limit at that time, those who gifted the current \$11.2 million could have the difference pulled or "clawed" back. However, the consensus is that this likely will not happen.

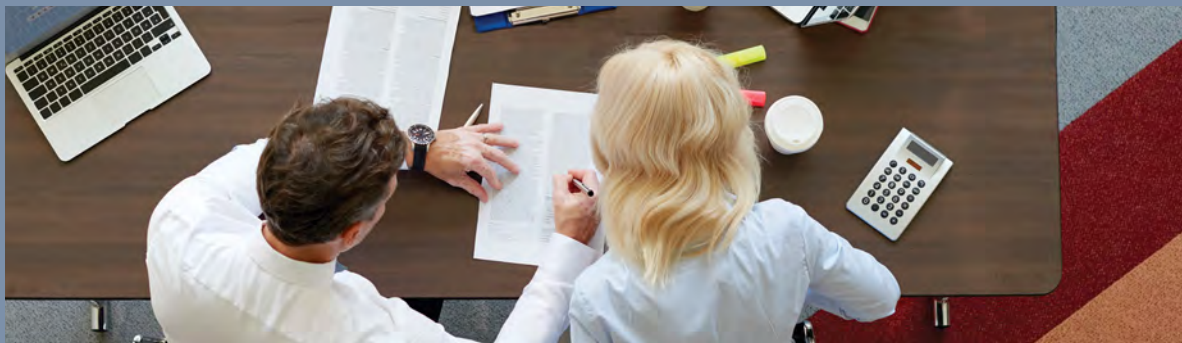
### **Portability**

Married couples can still elect "portability," in which the surviving spouse receives the unused exemption from the first to die.

### **Additional Considerations**

These are the main highlights of estate tax laws under the TCJA. There are many more considerations, such as step-up in basis, New Jersey estate tax, state taxes, local taxes and AMT. With so many factors involved, it's important to build a team of professionals, including an estate attorney, financial planner and tax professional. To learn more about Curchin's estate planning practice and referral network, visit [www.curchin.com](http://www.curchin.com).





## *AICPA Requests ‘Immediate Guidance’ from IRS on Pass-Through Income*

The Tax Cuts and Jobs Act of 2017 (TCJA) allows for a 20 percent deduction on qualified business income (QBI) for pass-through entities, as stated in Section 199A of the new Internal Revenue Code.

However, defining “qualified business income” has become somewhat problematic, as certain businesses – including many professional services firms – are excluded from the deduction. In response, the American Institute of CPAs (AICPA) has filed a letter with the Internal Revenue Service (IRS) and the U.S. Department of the Treasury requesting “immediate guidance” on six key concerns:

1. Definition of section 199A QBI
2. Aggregation method for calculation of QBI of pass-through businesses
3. Deductible amount of QBI for a pass-through entity with business in net loss
4. Qualification of wages paid by an employee leasing company
5. Application of section 199A to an owner of a fiscal year pass-through entity ending in 2018
6. Availability of deduction for Electing Small Business Trusts (ESBTs)

“Taxpayers and practitioners need clarity regarding QBI in order to comply with their 2018 tax obligations and to make informed decisions regarding cash-flow, entity structure, and other tax planning issues,” wrote AICPA Tax Executive Committee chair Annette Nellen in the Feb. 21 letter, which included suggested responses from AICPA.

The letter also brought other QBI issues to the IRS’ and Treasury’s attention, including the distinction between a business being identified at the activity level vs. entity level and the definition of “specified service trade.”

At publication of this newsletter, no response from the IRS had been reported. We will publish updates on our website at [www.curchin.com](http://www.curchin.com) and/or in a following newsletter as developments occur.

# *...20 percent deduction on qualified business income...*



# International Tax Reform Under the Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 (TCJA) impacts companies doing business internationally, particularly in regard to U.S. taxes on earnings of profits offshore and repatriation. There is also a notable corporate tax deduction.

## Territorial System

The previous "worldwide" tax system is being transitioned to a territorial model beginning in 2018. This means income is now taxed based on where it is earned, rather than at a set rate worldwide. To aid the shift, the TCJA taxes offshore earnings that were not taxed prior, on a one-time basis, and allows domestic C-corporations to take a 100 percent Dividends-Received Deduction (DRD) for foreign sourced income.

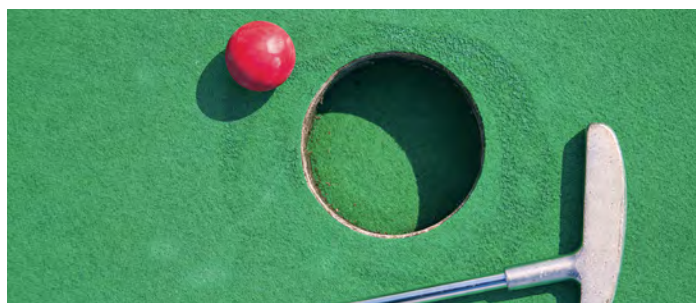
## Repatriation

The one-time deemed repatriation is designed to bring offshore earnings back into the U.S. tax system and taxed over an eight-year period. The tax rate differs between liquid and non-liquid assets, and is deferred over eight years. The deemed repatriation is taxed as Subpart F income, which has also received modifications from the TCJA.

## Corporate Tax Deduction

The TCJA eliminates tiered corporate tax rates for international businesses, replacing the graduated rates with a flat 21 percent tax rate across the board. Previously, the highest rate was 35 percent, making it difficult for U.S. companies to compete globally. The corporate Alternative Minimum Tax (AMT) has also been repealed.

These are just the main takeaways of the TCJA's effects on international tax. Between the complexity of the TCJA and that of international tax as a whole, it's important for companies doing business overseas to consult an international tax professional. To learn more about Curchin's tax and accounting services, visit [www.curchin.com](http://www.curchin.com).



## Curchin Open 13 Annual Curchin Open Announced

The Curchin Group's highly successful mini-golf tournament is entering its 13th year. The firm's biggest fundraising event of the year is a combination of miniature golf, networking and just plain fun. Held in the hallways of Curchin's headquarters, the Curchin Open has raised more than \$176,000.

Although the event doesn't occur until November 7th this year, there's a lot of planning and ways for our friends and clients to get involved:

### Selection of Charities

Each year, Curchin selects two charities to support with the proceeds. Non-profits are asked to submit a 250-500 word essay that explains the organization mission, how the funds will be used and why the organization is worthy of consideration. Essays will be judged and winners notified by June 30. For further information, contact Blaise Furiato at [BFuriato@curchin.com](mailto:BFuriato@curchin.com).

We will also be soliciting gift donations that will be raffled off at the event. Naturally, as the event draws near, we'll be sending out invitations and registration forms.

Circle the date of November 7, 2018. It promises to be the biggest event yet!

## Featured Employee:

### LUKE DIMATTEO

Luke DiMatteo joined The Curchin Group as a staff accountant in 2016. Previously, he worked with Financial Consulting Strategies in a similar role that he had secured almost immediately after graduating from William Paterson University with a B.S. in Accounting. At William Paterson, he was selected to be a NJCPA scholarship recipient, and went on to graduate summa cum laude. Luke recently passed all four parts of the CPA exam!

As a staff accountant, Luke completes a variety of vital tasks for Curchin's clients, from individual tax returns to compilations to reviews. He is also part of the Curchin audit team.

Luke appreciates the friendly, close-knit culture at Curchin, which he says helps him become a better accountant every day. Outside of work, he enjoys cooking - he previously worked as a sous chef - and watching sports. Luke is originally from Westfield, N.J. and currently lives in Old Bridge, N.J.



# CURCHIN

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## Firm News

### Boardwalk Seminar 2018

Roy Kvalo, Ed Rigby and Luke DiMatteo attended the Boardwalk Seminar from May 10-11 held by the New Jersey Association for Justice at Harrahs in Atlantic City.



### NJ Credit Union League 2018 Conference

On May 5, Carolyn Kvalo spoke at the NJ Credit Union League 2018 Director Conference at the Chauncey Conference Center in Princeton. She presented the Financial Literacy Education session which included key ratios and business risks that challenge credit unions.

### NJ Food Biz Event

Bob Fischbein and Nicky Early attended the NJ Food Biz event on April 24 at The Palace at Somerset Park in Somerset, NJ. This event features tastings from New Jersey food and beverage entrepreneurs as well as information sessions including speakers and panel discussions.

### Congrats Are in Order

We would like to congratulate two of our staff members who are in the final stages of earning their CPA license. AlexaJoan Macaluso and Luke DiMatteo successfully passed all four parts of the CPA exam and have completed their 150 credit hours.