DREHER MARTIN
CERTIFIED PUBLIC ACCOUNTANTS

Dear Client:

With the new tax law now in effect for 2018, we wanted to alert you to some of the changes that will impact you.

There are many changes in the tax law and the following are just a few that affect individuals: Tax rates are reduced, standard deduction increased, exemption allowance no longer allowed, state and local taxes capped at $10,000, investment expenses and employee business expenses are no longer deductible, child tax credit expanded, and alternative minimum tax exemption allowance increased substantially.

However, as a business owner, whether it be a rental property, partnership, S Corporation, or sole proprietor, we want to focus on the 20% deduction available on qualified business income. In general, if your taxable income is less than $315,000 (joint filers), or $157,500 for all others, you will get the 20% deduction. If your income is over those thresholds that is where the fun begins (just kidding). In addition, the following service businesses (physicians, attorneys, financial planners, accountants ☹, consultants etc.) may not be able to get the deduction at all if their income is over the threshold. All other non-service businesses (restaurants, retail stores, auto dealerships, etc.) may still get the deduction, but it will be the lessor of 20% of the qualified business income or 50% of the wages of the business plus 2.5% of the fixed assets.

You will not see the word “simplification” in the actual name of the Bill (Tax Cuts and Jobs Act of 2017), as there is none, at least not for business owners. However, there are potential opportunities to reduce your tax liability if your business is structured properly.

If you have any questions regarding the information contained in this letter or would like us to quantify the impact of this to you, please call Tawnya at (919) 510-9399 and she will schedule a time for you to speak with one of our tax professionals.

Sincerely,

Dreher Martin CPAs, P.A.

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