

TODAY'S LEGAL ISSUES AND SOLUTIONS – A FEW TAX SPREADSHEETS*

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For those of you who want to know the impact of last year's big tax cut bill on charitable giving, in particular gifts of conservation restrictions, see the attached very informal (and not particularly neat or ready for slides, etc.) presentation of some spreadsheets, using new income tax planning software. Note that the following spreadsheets would also apply to charitable gifts of cash/check – the calculations would be the same. **I have not double-checked these calculations.**

Quick Summary of Spreadsheets

Situation 1 -- 2017

1A Sally and Bob have \$150,000 in adjusted gross income, \$7,500 in state income tax, \$8,500 in property tax, and \$10,000 in mortgage interest. In 2017, their federal tax on this would be \$20,453. (pages 1 and 2)

1B Same income and deductions, except Sally and Bob also donate a c.r. in 2017, and the value of the c.r. is \$500,000. In 2017, their federal tax due would be \$5,206. (page 3)

1C Sally and Bob have \$300,000 in adjusted gross income, same deductions as in 1A. In 2017, their federal tax would be \$62,964. (page 4; note how the AMT *almost* has an impact, but doesn't)

1D Same, except in 2017 Sally and Bob also donate a c.r. with a value of \$500,000. Their federal tax due would be \$20,453. (page 5)

*At the conference, you will have five minutes to study the attached spreadsheets, pages 1-10, and then there will be a quiz... ..just kidding.....

Situation 2 – 2018

2A Sally and Bob have \$150,000 in adjusted gross income, \$7,500 in state income tax, \$8500 in property tax, and \$10,000 in mortgage interest. In 2018, their federal tax on this would be \$19,599. (Page 6; note their tax bill is slightly lower even though their deductions are limited in 2018)

2B Same, except Sally and Bob donate a c.r. in 2018, and the value of the c.r. is \$500,000. In 2018, their federal tax due would be \$6,219. (Pages 7 and 8; their tax bill is higher than it was in 2017??!!)

2C Sally and Bob have \$300,000 in adjusted gross income, same deductions as in 1A. In 2018, their federal tax would be \$54,819. (Page 9; tax due is a lot lower than in 2017, see 1C above)

2D Same, except in 2018 Sally and Bob also donate a c.r. with a value of \$500,000. Their federal tax due would be \$20,479. (Page 10; tax due is almost exactly the same as in 2017, see 1D above, but still significant tax savings)

I cannot yet explain why some of these tax results are happening, but for 40 years now I have been telling people, **RUN THE NUMBERS. DO NOT GUESS**, and this set of numbers certainly proves that point. **BE VERY CAUTIOUS WITH ANY GENERALIZATIONS ABOUT TAX RESULTS.** As time goes by we might understand better the internal interaction of all of the tax changes.

Summary of spreadsheet results: it appears that the tax cut bill did not make any changes that have an adverse impact on charitable donations **in the specific attached situations**. The attached sheets obviously do not cover a variety of other realistic situations. If you need answers, deal with an experienced tax professional who can use the software and **RUN THE NUMBERS**. There is nothing like running the numbers for taking the guesswork out of the planning.

Finally, do NOT worry if you are not interested in, or do not understand, the attached spreadsheets. They are there for people who are interested in them, and if you are not interested in them please recycle.

MLTC

Main Worksheet

(1)

Filing Status
Personal Exemptions

*\$150K;
regular
deductions*

2017

Joint
2

Ordinary Income

150,000

Adjusted Gross Income

150,000

Itemized Deductions
Standard Deduction

26,000

12,700

Taxable Income

115,900

AMTI Net of Exemption

55,500

Schedule or Table Tax
Tentative Minimum Tax

20,453

14,430

Net Federal Tax

20,453

Resident State Tax
Other Nonresident Estimated & W/H

7,650

N/A

Total Net Tax Liability

28,103

MLTC

2

Itemized Deductions

	2017
65 or Over?	N/A
Medical Expense	0
AGI Floor	<u>-11,250</u>
Net Deductible Medical	<u>0</u>
Other Net Personal Casualty Loss	0
10% of AGI	<u>-15,000</u>
Net Deductible Casualty	<u>0</u>
State Income Taxes	<u>7,500</u>
Total State Income Taxes	<u>7,500</u>
Qualified Vehicle Tax Phased-out	N/A
Total Income & Vehicle Sales Taxes	<u>7,500</u>
Higher Tax Amount	<u>7,500</u>
Property Taxes: Residential	<u>8,500</u>
Total Personal Taxes	<u>16,000</u>
Limited Personal Taxes	<u>16,000</u>
Qualified Residence Interest	<u>10,000</u>
Apply 1998 Tech Corr Casualty Rule	<u>Yes</u>
Miscellaneous Investment Expenses	0
2% of AGI	<u>-3,000</u>
Net Deductible Miscellaneous Expense	<u>0</u>
Total Itemized Before Floor	26,000
Medical, Casualty Inv Int & Gambling	<u>0</u>
Itemized w/o Med, Caslty, & Interest	26,000
3% AGI Floor Post 1990	<u>0</u>
Itemized After Floor	<u>26,000</u>
Total Itemized	<u><u>26,000</u></u>

(not limited)

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(3)

Main Worksheet

150k
regular
deductions
plus C.R.

Filing Status
Personal Exemptions

2017
Joint
2

Ordinary Income

150,000

Adjusted Gross Income

150,000

Itemized Deductions
Standard Deduction

101,000
12,700

Taxable Income

40,900

Schedule or Table Tax

5,206

Net Federal Tax

5,206

Resident State Tax
Other Nonresident Estimated & W/H

7,650
N/A

Total Net Tax Liability

12,856

* Same as page 1, plus a \$500,000
C.R. donation

Main Worksheet

Filing Status
Personal Exemptions

*\$300k
regular
deductions*

2017
Joint
2

Ordinary Income

300,000

Adjusted Gross Income

300,000

Itemized Deductions
Standard Deduction

26,000
12,700

Taxable Income

265,900

AMTI Net of Exemption

237,775

Schedule or Table Tax
Tentative Minimum Tax

62,964
62,821] *

Net Federal Tax

62,964

Resident State Tax
Other Nonresident Estimated & W/H

15,300
N/A

Total Net Tax Liability

78,264

** Note: very
close to
AMT*

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~~Page 1~~

Main Worksheet

Filing Status
Personal Exemptions

*\$300K
regular
deductions
plus c.f.*

2017

Joint
2

Ordinary Income

300,000

Adjusted Gross Income

300,000

Itemized Deductions
Standard Deduction

176,000
12,700

Taxable Income

115,900

AMTI Net of Exemption

55,500

Schedule or Table Tax
Tentative Minimum Tax

20,453
14,430

Net Federal Tax

20,453

Resident State Tax
Other Nonresident Estimated & W/H

15,300
N/A

Total Net Tax Liability

35,753

(6)

Main Worksheet

Filing Status
Personal Exemptions

\$150 k,
regular
deductions

2018
Joint
2

Ordinary Income

150,000
150,000

Adjusted Gross Income

Itemized Deductions
Standard Deduction

20,000
24,000

* reduced
by tax bill

Taxable Income

126,000

AMTI Net of Exemption

40,600

Schedule or Table Tax
Tentative Minimum Tax

19,599
10,556

Net Federal Tax

19,599

\$854
tax
cut

Resident State Tax
Other Nonresident Estimated & W/H

7,650
N/A

Total Net Tax Liability

27,249

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Main Worksheet

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Filing Status
 Personal Exemptions
 Ordinary Income
 Adjusted Gross Income
 Itemized Deductions
 Standard Deduction
 Taxable Income
 Schedule or Table Tax
 Net Federal Tax
 Resident State Tax
 Other Nonresident Estimated & W/H
 Total Net Tax Liability

*\$150K,
 regular
 deductions
 Plus c.r.
 deduction*

	2018
	Joint
	<u>2</u>
	<u>150,000</u>
	<u>150,000</u>
	<u>95,000</u>
	<u>24,000</u>
	<u>55,000</u>
	<u>6,219</u>
	<u>6,219</u>
	7,650
	<u>N/A</u>
	<u>13,869</u>

*higher
 tax
 than in
 2017*

Itemized Deductions

	2018
65 or Over?	N/A
Medical Expense	0
AGI Floor	<u>-11,250</u>
Net Deductible Medical	<u>0</u>
Other Net Personal Casualty Loss	0
10% of AGI	<u>-15,000</u>
Net Deductible Casualty	<u>0</u>
Charitable Contributions	<u>75,000</u>
State Income Taxes	<u>7,500</u>
Total State Income Taxes	<u>7,500</u>
Qualified Vehicle Tax Phased-out	N/A
Total Income & Vehicle Sales Taxes	<u>7,500</u>
Higher Tax Amount	<u>7,500</u>
Property Taxes:Residential	<u>8,500</u>
Total Personal Taxes	<u>16,000</u>
Limited Personal Taxes	<u>10,000</u>
Qualified Residence Interest	<u>10,000</u>
Apply 1998 Tech Corr Casualty Rule	<u>Yes</u>
Miscellaneous Investment Expenses	N/A
2% of AGI	<u>N/A</u>
Net Deductible Miscellaneous Expense	<u>0</u>
Total Itemized Before Floor	95,000
Medical, Casualty Inv Int & Gambling	<u>0</u>
Itemized w/o Med, Caslty, & Interest	95,000
3% AGI Floor Post 1990	<u>0</u>
Itemized After Floor	<u>95,000</u>
Total Itemized	<u><u>95,000</u></u>

50% of AGI

Main Worksheet

Filing Status	2018
Personal Exemptions	Joint 2
Ordinary Income	300,000
Adjusted Gross Income	300,000
Itemized Deductions	20,000
Standard Deduction	24,000
Taxable Income	276,000
AMTI Net of Exemption	190,600
Schedule or Table Tax	54,819
Tentative Minimum Tax	49,556
Net Federal Tax	54,819
Resident State Tax	15,300
Other Nonresident Estimated & W/H	N/A
Total Net Tax Liability	70,119

*\$300k
regular
deductions*

*\$8,145 tax
cut*

Main Worksheet

Filing Status
Personal Exemptions

*# 300k
negative
deductions
plus
C.R.*

2018

Joint
2

Ordinary Income

300,000

Adjusted Gross Income

300,000

Itemized Deductions
Standard Deduction

170,000
24,000

Taxable Income

130,000

AMTI Net of Exemption

30,600

Schedule or Table Tax
Tentative Minimum Tax

20,479
7,956

Net Federal Tax

20,479

Resident State Tax
Other Nonresident Estimated & W/H

15,300
N/A

Total Net Tax Liability

35,779

*tax is
26
higher!!
(but still
34,340
tax savings)*