

# January 2018 Update



 **Starfox Financial Services, LLC**



# Discussion Topics

- Tax Reform
- Market Update
- Outlook for 2018

## Disclosure

Starfox Financial Services, LLC does not provide tax or legal advice. Please consult with your tax advisor or attorney. This summary is courtesy of our CPA friends.

Consult <https://www.congress.gov/bill/115th-congress/house-bill/1/text> for details.

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**TAX CUTS & JOBS ACT**

# Tax Reform for 2018 and Beyond



The **Tax Cuts and Jobs Act** went into effect January 1, 2018.

<b>Tax Rates &amp; Brackets</b>	<b>State and Local Taxes (SALT)</b>
<ul style="list-style-type: none"><li>• Most taxpayers will see lower rates since the standard deduction was nearly doubled for 2018</li><li>• Highest tax rate drops from 39.6% to 37% while seven brackets remain</li><li>• Bigger exemptions to avoid Alternative Minimum Tax (AMT)</li><li>• Tax cuts fade over time and become net tax increases starting in 2027</li><li>• Doubles estate tax threshold to \$11.2 million and \$22 million if married filing jointly</li></ul>	<ul style="list-style-type: none"><li>• State and local tax (property and sales tax) deductions capped at \$10,000</li><li>• No income tax prepayment for 2018 allowed</li></ul>

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# Tax Reform for 2018 and Beyond

<b>Home Mortgages</b> <ul style="list-style-type: none"><li>• Mortgage interest paid on new loans deductible up to \$750,000 (previously \$1,000,000)</li><li>• Applies to interest on mortgages on first and second homes</li></ul>	<b>Families</b> <ul style="list-style-type: none"><li>• Child Tax Credit doubled to \$2,000 per child</li><li>• \$500 credit added for other types of dependents</li><li>• Income threshold where benefits phase-out increased</li><li>• Employment-related moving expenses will no longer be deductible.</li></ul>
<b>529s</b> <ul style="list-style-type: none"><li>• New ability to withdrawal up to \$10,000 annually per beneficiary</li><li>• Applied to tuition expenses in connection with enrollment or attendance at a K-12 school (public, private or religious elementary and secondary schools)</li><li>• New contributions to Coverdell Education Savings Accounts are now prohibited.</li></ul>	

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# Tax Reform for 2018 and Beyond

Healthcare	Businesses including self-employed
<ul style="list-style-type: none"><li>• Eliminates the tax penalty for not having health insurance starting in 2019</li><li>• Temporarily lowers the floor on out-of-pocket medical expenses to 7.5% from 10% for 2017 and 2018</li></ul>	<ul style="list-style-type: none"><li>• New, 20% deduction for small businesses, including sole proprietorships or S corps (certain pass-through entities)</li><li>• Section 179 expensing increased to \$1,000,000</li><li>• Corporate tax rate cut from 35% to 21% (permanent)</li><li>• Corporate AMT is eliminated</li><li>• One time repatriation tax of profits in overseas subsidiaries to encourage companies to bring the money home over time, but at these much lower rates. U.S. multinationals have accumulated nearly \$3 trillion offshore, much of it subsidiaries in tax haven countries.</li></ul>

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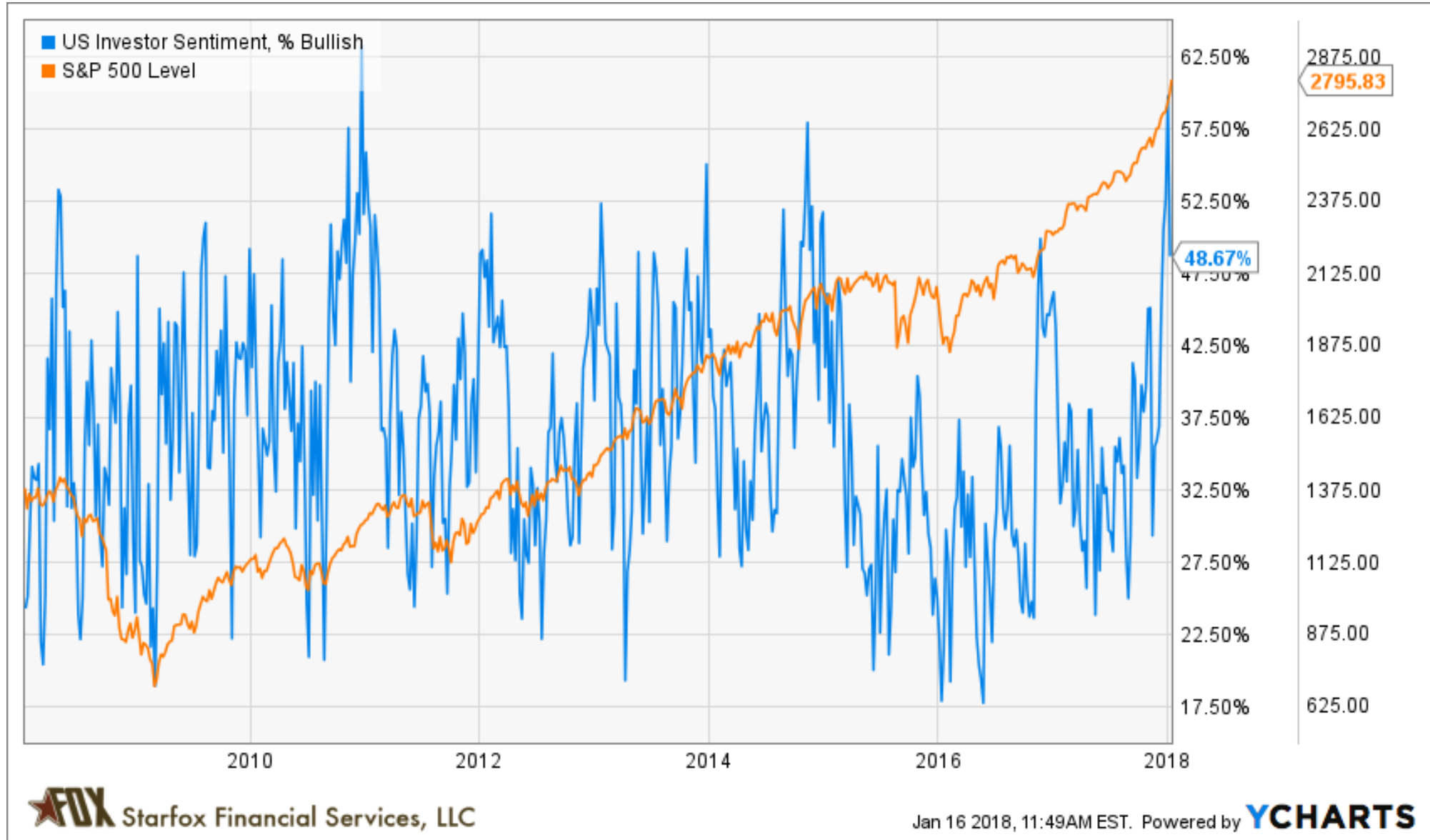


# S&P 500 10-year Performance (using SPX)



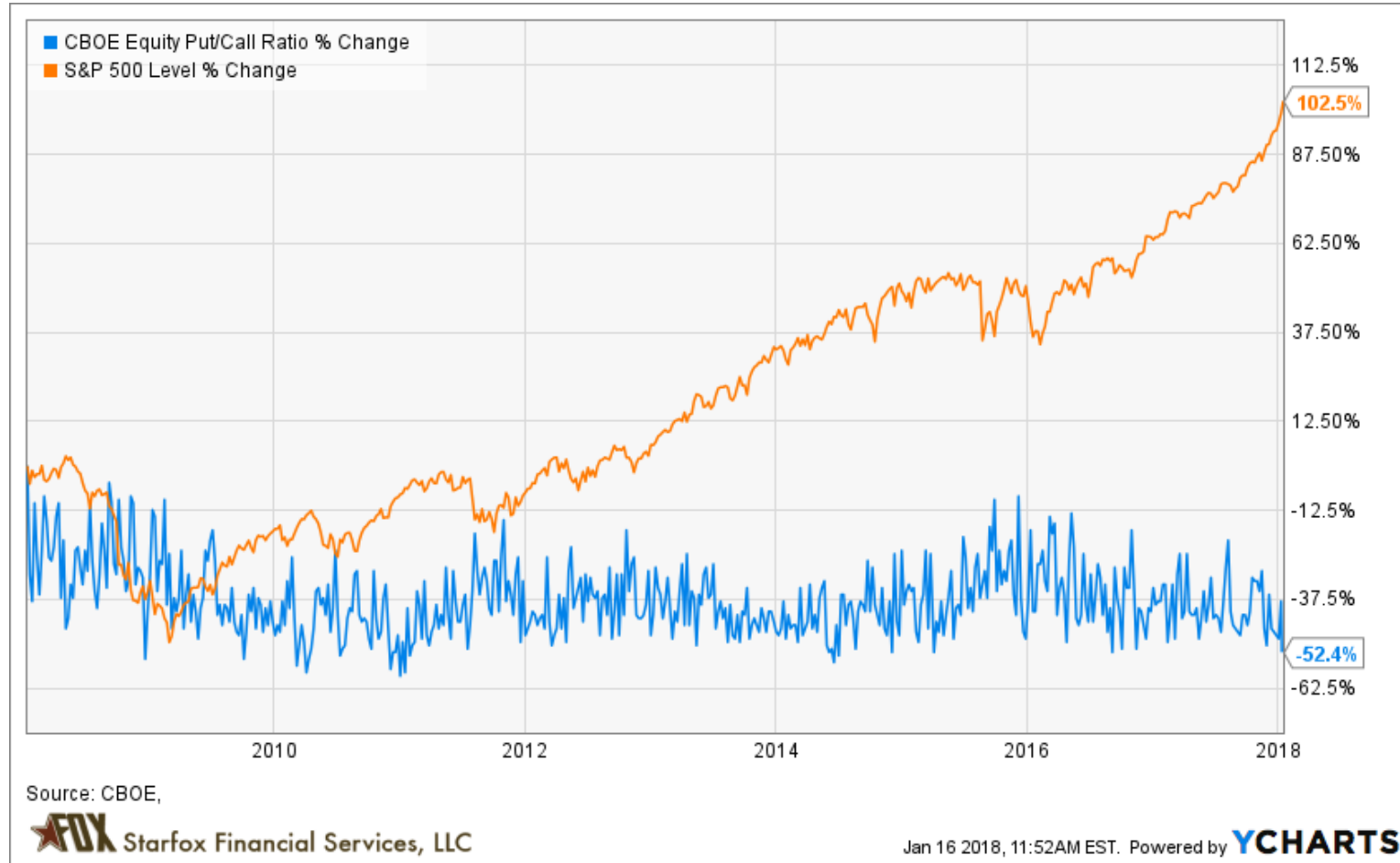


# S&P 500 and US Investor Sentiment





# S&P 500 and Equity Put/Call Ratio %





# Questions?

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