

New Tax Act Summary of Benefits

1. CAPITAL GAINS CUTS:

- Generally 20%
- Better rate for 5 years
- Holding period rules

2. NEW IRA RULES:

- Roth, Education
 - Conversion Rules - Income Limits
- Spouse can contribute even if pension plan

3. EDUCATION:

- A. IRA (\$500/child)
- B. TAX CREDITS (Hope and lifetime learning credits)
- C. ABOVE THE LINE DEDUCTION FOR STUDENT LOAN INTEREST (First 5 years of loan)
- D. PENALTY FREE WITHDRAWING FROM IRA

4. BUSINESS:

- A. Self-employment insurance
- B. Expanded definition of “home office”
- C. Estate (family owned business exclusion)

5. RETIRE/ESTATE:

- A. Repeal of 15% excise tax on excess distributions
- B. Unified credit increase
- C. New family owned business exclusion
- D. New capital gains rates may give incentive to sell now.

6. REAL ESTATE:

A. Low capital gains

B. Penalty free withdrawal of IRA for first time home buyers

C. Exclusion on sale of principal residence

**CHECK THE BOX RULES
FORM 8832**

- ① Is it a separate entity (federal law)?
- ② Is the entity a trust or business entity?
- ③ Is it a corporation?

See state law or list. Generally, can choose what the entity is on Form 8832. This is subject to certain limitations.

CORPORATION – State law

2 or more members – Partnership (default) or corporation

1 member – Corporation or disregard

FOREIGN

Default - is corporation if all members have limited liability

- It is a partnership if at least one member has unlimited liability.
- Some foreign entities are listed in Regs. as a corporation.