

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

November 7, 2017

Anchin Insights on Tax Reform

As our tax department continues to navigate through the House's proposed tax changes, a few other surprise revenue raisers were noted impacting individual taxpayers:

- Phase out of the \$500,000 exclusion of gain from the sale of a principal residence on a married filing joint return (\$250,000 for single filers) for higher income taxpayers. In addition, the period of ownership and use as a principal residence to qualify for the above exclusions were increased to five years in the eight year period preceding the sale as opposed to the previous two years in the five year period preceding the sale.
- Effective for any divorce decree or separation agreement executed after 2017, the deduction of the alimony payments for the payer would be repealed. However, the recipient of the alimony will not have to pick up the alimony income. This can dramatically change the structure of future divorce settlements.
- Denial of employee trade or business expenses.

Impact on housing market: One has to wonder what these proposals will do to the higher end residential real estate market. The modifications to the home mortgage interest expense deduction, the severe limitation on the property tax deduction, and the new restrictions on the home sale exclusion will most likely put a real dent in housing prices by increasing the after tax cost of owning higher end property.

The Alternative Minimum Tax (AMT) : The AMT has been around for many years and has impacted many upper middle class and high net worth families. It is a parallel tax system of a broader tax base (currently no deduction is allowed for expenses such as miscellaneous itemized deductions and state and local taxes) being taxed at a lower rate (currently 28%) to guarantee "wealthy" taxpayers pay a minimum amount. While the new bill proposes the repeal of the AMT (finally), what it actually may do is create a new tax system which resembles a more costly alternative minimum tax – a broader base with all those deductions eliminated now taxed at 39.6% instead of 28%.

For more information, please contact your Anchin Relationship Partner.

ANCHIN[®]

Your Expert Partner
Accountants and Advisors

Anchin, Block & Anchin LLP
Accountants and Advisors
1375 Broadway, New York, NY 10018
212.840.3456 • www.anchin.com

