

2016 Post-Election

TAX IMPLICATIONS

What changes will the election have on taxes? President-elect Trump outlined several proposed changes and ideas while on the campaign trail. While nothing is current tax law, with a Republican controlled congress, change is more than likely on the horizon.

INDIVIDUAL TAXATION

Income Tax

Trump has proposed reducing the current seven income tax bracket structure compressing into only three tax brackets with rates of 12 percent, 25 percent and 33 percent. Thus eliminating the current top two income tax brackets of 35 percent and 39.6 percent. These bracket changes would be coupled with changes to the standard and itemized deduction amounts, along with the elimination of all personal exemptions.

The standard deduction would increase to \$15,000 for single individuals and to \$30,000 for married couples filing jointly. Currently, the 2017 standard deduction amounts are \$6,350 and \$12,700, respectively (adjusted for inflation). The increase to the standard deduction would eliminate the need for millions of taxpayers to itemize, thus simplifying return filings.

For itemized deductions, he has proposed implementing a \$100,000 cap for those filing as single and a \$200,000 cap on the amount of itemized deductions that can be claimed for married couples filing jointly. This remains a very hot topic and will certainly be a negotiable piece of the proposal as it remains to be seen if the limitations will apply to the mortgage interest and charitable donation deductions.

Capital Gains/Dividends

The current rates (0 percent, 15 percent, 20 percent) for long-term capital gains and qualified dividends would remain, but with some modifications to the income levels which the three rates apply to.

Net Investment Income (NII) Tax

Trump proposed repealing the Affordable Care Act (ACA). Repealing the ACA would mean eliminating the 3.8 percent net investment income (NII) tax on interest, dividends, rents, royalties, and passive business income.

Alternative Minimum Tax (AMT)

Trump has proposed eliminating the alternative minimum tax (AMT). This is in line with other Republican-based proposals.

Carried Interest

Under Trump's proposal, carried interest would be taxed at ordinary income tax rates of 12 percent, 25 percent, 33 percent. Carried Interest would no longer receive the preferential tax treatment of being taxed at the long-term capital gains and qualified dividends rate of 15 percent and 20 percent.



ESTATE AND GIFT TAX

Trump, along with many Republicans, proposed repealing the federal estate and gift tax with a current top tax rate of 40 percent respectively. However, his plan would tax all appreciation in a decedent's assets at capital gains rates, subject to a \$10M exemption. It appears this would take effect as a carryover basis to heirs, rather than an immediate tax at death. Currently, the unified federal estate and gift tax kicks in at \$5.490 million for 2017 (essentially double at \$10.980 million for married individuals).

BUSINESS TAXATION

Corporate Income Tax

Trump has proposed decreasing the current 35 percent Corporate tax rate to 15 percent and eliminating the corporate alternative minimum tax. In addition, under his plan, a Corporation would be able to elect to immediately expense all asset acquisition costs, but would not be able to then deduct any interest expenses associated with these assets.

Small Businesses

Trump's proposal on how sole proprietorships, partnerships and S corporations would be taxed indicate the owners of these pass-through entities could elect to be taxed at a flat rate of 15 percent on pass-through income retained within the business (rather than be taxed under regular individual income tax rates). However, the materials also suggest all distributions would then be taxed as dividends. This part of Trump's proposal has been lacking in details which makes it difficult to determine what the final proposal might look like.

INTERNATIONAL

Repatriation

Trump's proposal calls for providing a repatriation of some estimated \$2.5T of overseas corporate profits held offshore at a one-time 10 percent tax rate payable over 10 years.

As further guidance on these proposed changes becomes available RiverPoint Capital Management will help you navigate through the tax implications. Please call us with any questions.



FOR MORE INFORMATION

CALL: 513-421-3100

CLICK: www.riverpointcm.com

This document is for informational use only. Nothing in this publication is intended to constitute legal, tax, or investment advice. There is no guarantee that any claims made will come to pass. The information contained herein has been obtained from sources believed to be reliable, but RiverPoint Capital Management does not warrant the accuracy of the information. Consult a financial, tax or legal professional for specific information related to your own situation.

RiverPoint Capital Management ("RiverPoint") is an SEC registered investment adviser with its principal place of business in the State of Ohio. For additional information about RiverPoint, including fees and services, please contact RiverPoint or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). Please read the disclosure statement carefully before you invest or send money.