

TAXES

The Experts' Take

A panel from business and finance will talk up what's new.

On Wednesday, April 25, the Philadelphia Inquirer will host a long-awaited tax panel featuring La Colombe Coffee entrepreneur Todd Carmichael and a host of state and local tax experts.

Carmichael, a onetime tax accountant and lawyer, turned away from that career in the early 1990s to found his first La Colombe coffee shop in Center City. What's his take on taxes in Philadelphia? He'd like



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to pay more. The better the city is doing, the better his company will do, he said. And it all starts with upgrading the city's schools. Carmichael will speak on Wednesday as

part of the panel and defend his views (which he editorialized in the Inquirer). At the session, at the Ballroom at the Ben, 834 Chestnut St., from 11 a.m. to 2 p.m., we'll also discuss:

Stock markets. The markets have rallied somewhat after the Tax Cuts and Jobs Act, although investors maintain a wait-and-see attitude regarding whether a tariff and trade war will blunt the impact of corporate tax cuts.

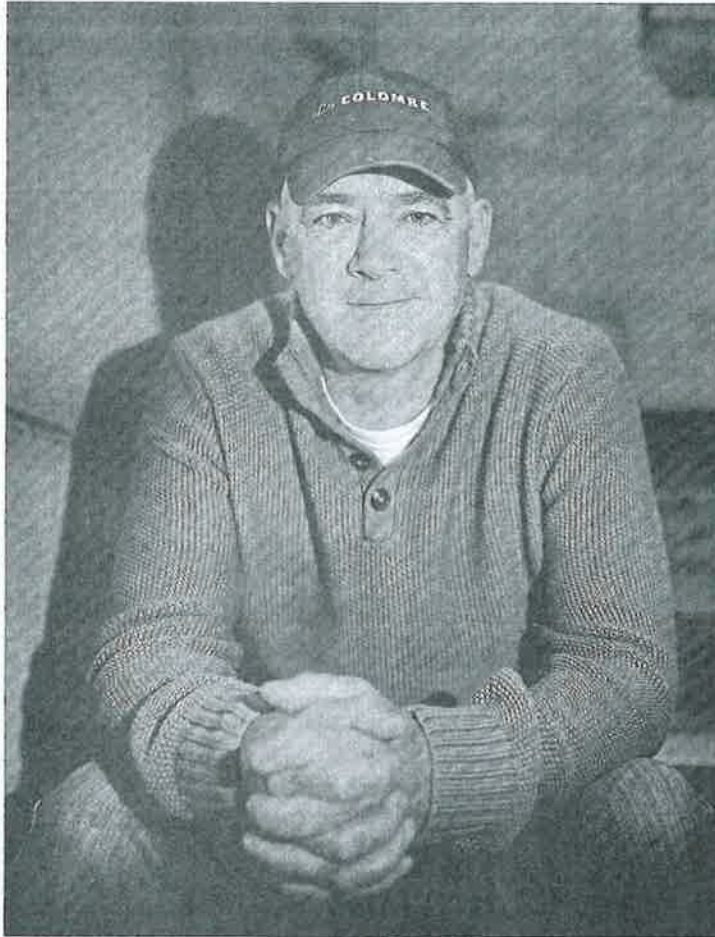
"The reduction in corporate tax rates is still not fully priced into companies' bottom lines," said Tracy Maeter, global investment specialist at JPMorgan Private Bank Philadelphia. Jeff Mortimer, director of investment strategy at BNY Mellon, said it's surprising that investor clients "never ask me about the benefits of a tax cut. Many have been bears on this whole ride up." Both are bullish on stocks. But as to the impact of tax cuts on earnings, "it's way too early to tell. It will take quarters to play out," Mortimer said. "Tariffs or the threat of tariffs may be slowing those down a bit."

Donor advised funds. These are proving extremely popular as a way to give to charity under the new law. "People who are charitably inclined can bunch deductions into one large gift into a donor-advised fund, you don't have to file a tax form that's required from a private foundation, and you can spread out donations over time," said Richard Schwartz, JPMorgan Private Bank's new head wealth adviser. "Donor advised funds are less burdensome than a private foundation in terms of cost, as well."

Top tax changes for businesses. Businesses "all want to take the 20 percent deduction" and are wondering whether they should change their corporate structure. "That's the biggest question from the smallest to the largest," said panelist Saba Ashraf from Ballard Spahr law firm.

"This is really a corporate tax plan," said panelist Raman Mahadevan of Ernst & Young. "The most significant change dropped corporate tax rates from 35 to 21 percent. It makes us globally competitive. The cost of doing business in the U.S. has gone down quite substantially."

The Tax Cuts and Jobs Act also provides a large new tax deduction for owners of pass-through entities. But it



La Colombe's Todd Carmichael will be among the panelists. What's his take on taxes in Philadelphia? He'd like to pay more, figuring that his company is better off if the city is better off. DAVID MAIALETTI / Staff Photographer



Saba Ashraf **Michael Bryan** **Raman Mahadevan** **Ryan Sweet**

Inquirer Tax Panelists

Saba Ashraf, co-practice leader, Ballard Spahr.
Michael Bryan, managing director, Deloitte Tax LLP.
Raman Mahadevan, tax partner and Philadelphia tax market leader, Ernst & Young LLP.
Ryan Sweet, director of real-time economics, Moody's Analytics.

Todd Carmichael, cofounder and co-owner, La Colombe.

You can find the schedule and register for the event at www.philly.com/financeevent.

(This event had been postponed twice because of snow.)

also reduces or eliminates many business tax breaks. Some of the key changes, according to Isdamer & Associates:
▶ Replacement of corporate tax rates ranging from 15 percent to 35 percent with a

flat corporate rate of 21 percent.
▶ New 20 percent qualified business income deduction for owners of flow-through entities (such as partnerships, limited liability companies, and S corporations) and sole

proprietorships through 2025.
▶ New rule limiting like-kind exchanges to real property not held primarily for sale.
▶ New tax credit for employer-paid family and medical leave — only through 2019.

▶ New limits on deductions for employee benefits, such as entertainment, meals, and transportation.

Top tax changes for individuals and estates. The new law makes small reductions to income tax rates for most individuals, and significantly increases estate tax exemptions. But there's some bad news for individuals: The law eliminates or limits many tax breaks. In addition, much of the tax relief for individual taxpayers is temporary. Here are some key changes, according to Isdamer; except where noted, these changes will expire after 2025:

▶ Reductions in individual income tax rates ranging from zero to 4 percent (depending on the bracket) to 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent.

▶ Near doubling of the standard deduction to \$24,000 (married couples filing jointly), and \$12,000 (singles and married couples filing separately).

▶ Eliminates personal exemptions.

▶ Doubles the child tax credit to \$2,000; more taxpayers benefit from the credit.

▶ Reduction of the adjusted gross income (AGI) threshold for the medical expense deduction to 7.5 percent — only for 2017 (yes, retroactively) and 2018.

▶ New \$10,000 limit on the deduction for state and local taxes (on a combined basis for property and income taxes; \$5,000 for separate filers).

▶ Reduction of the mortgage debt limit for the home mortgage interest deduction, to \$750,000 (\$375,000 for separate filers).

▶ Eliminates deduction for interest on home equity debt.

▶ Eliminates the personal casualty and theft loss deduction (with an exception for federally declared disasters).

▶ Elimination of itemized deductions subject to the 2 percent floor (such as certain investment expenses, tax preparer and other professional fees and unreimbursed employee business expenses).

▶ Gets rid of the moving expense deduction (with an exception for members of the military in certain circumstances).

▶ Doubling of the gift and estate tax exemptions, to \$10 million (expected to be \$11.2 million for 2018 with inflation indexing).

▶ The new law permanently eliminates the individual mandate under the Affordable Care Act requiring taxpayers not covered by a qualifying health plan to pay a penalty. The elimination of the individual mandate is effective for months beginning after Dec. 31, 2018. Also permanent is the expansion of tax-free Section 529 plan distributions to include those used to pay qualifying elementary and secondary school expenses, up to \$10,000 per student per tax year.

▶ Higher-education expenses: The deduction is capped at \$4,000 for individuals with AGI that doesn't exceed \$65,000 (\$130,000 for joint filers) and \$2,000 for individuals with AGI that doesn't exceed \$80,000 (\$160,000 for joint filers).

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