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Tax Cuts and Jobs Act Individual Tax Planning Checklist

Clients value practitioners who proactively deliver effective tax planning strategies. The Tax Cuts and Jobs Act (TCJA) was the largest federal tax overhaul in 30 years, creating a host of new planning ideas. Now that busy season is over, you can focus on identifying and communicating those ideas to clients.

The **Tax Cuts and Jobs Act Individual Tax Planning Checklist** can be used to identify key individual tax planning opportunities under the TCJA. It covers key considerations in all major TCJA areas of tax. The checklist may be used in conjunction with the **Tax Cuts and Jobs Act Planning Letter for Individual Clients** and the **Qualified Business Income Deduction Checklist**. These resources are intended to generate discussion points as you hold midyear tax planning meetings with your clients.

1. Life Events	Done
A. Marriage – Determine effect on the client's marginal tax rate (marriage penalties/bonuses remain under the TCJA). – Consider health care implications, such as potential exposure to shared responsibility penalty. Inform the client that the penalty is still in effect for 2018 (it drops to zero starting in 2019).	☐
B. Children – Determine effect of elimination of personal exemption deduction. See if larger standard deduction and increased child tax credit make up the difference. – Factor in the new child tax credit of $2,000 per qualifying child. Increased phase-out thresholds will allow more clients to claim the credit. – See if the client has any dependents who aren't qualifying children under age 17. They may be eligible for the new $500 nonrefundable credit. – If the client has children or grandchildren in public, private, or religious elementary or secondary schools, suggest that they revisit their Qualified Tuition Plans. – Consider new kiddie tax rules, which use income tax rates for trusts and estates.	☐
C. Divorce – Inform the client and their divorce attorney that alimony payments aren't deductible (and aren't considered income to the recipient) for divorces and separations executed after 2018. – Emphasize that pre-TCJA rules apply to already-existing divorces and separations, as well as divorces and separations that are executed before 2019. – If the client wants to modify an existing divorce decree, determine if the agreement should expressly adopt TCJA rules. This may be appropriate if the income levels of the alimony payer or recipient will change.	☐
D. New Home – Any new home acquisition debt will be subject to the new $750,000 ($375,000 if married filing separately) limit.	☐
2. Tax Rates and Income Exclusions/Adjustments	
A. Tax Rates – Model out the client's estimated tax liability for 2018 using the new rates and income tax brackets. Communicate results with the client. – Given the capital gains rate structure retained by the TCJA, determine if appreciated long-term investments should be sold. If available, suggest funding a traditional or Roth IRA to postpone or eliminate future taxes.	☐
B. Alternative Minimum Tax (AMT) – Assess the client's potential AMT exposure for 2018. Increased exemption amounts and phase-out thresholds may eliminate the client's AMT risk. Communicate results with the client. – Factor in fewer AMT adjustments due to modification of many itemized deductions.	☐
C. Qualified Opportunity Zones (QO Zones) – Consider as alternative to like-kind exchange (which is now limited to certain real property). – Discuss purpose of program and tax benefits (temporary deferral of gain from the sale of property and permanent exclusion of post-acquisition capital gains) with client. – Check out current QO Zone designations in the client's state.	☐

2. Tax Rates and Income Exclusions/Adjustments (continued)	Done
D. Net Operating Losses (NOLs) – When calculating estimated tax payments, factor in the 80% limit on NOLs. Let the client know that tax may be due despite a large NOL carryforward.	☐

3. Standard Deduction versus Itemized Deductions	
A. Standard Deduction – Evaluate the effect of the increased standard deduction. – Determine if the client will no longer itemize due to the larger standard deduction.	☐
B. Itemized Deductions – Determine if changes to itemized deductions negatively impact the client (see following items for more information). Model out the client's estimated tax liability for 2018 and communicate results with the client. – See if there are any opportunities to time payments so that deductions can be bunched every other year. – Adjust the client's estimated quarterly tax payments as needed. – Encourage the client to perform a paycheck checkup to make sure enough federal income tax is being withheld. Have the client submit a new Form W-4 if necessary.	☐
C. Home Mortgage Interest Deductions – For home equity loans, determine what the client used the proceeds for. Use the tracing rules to determine if the interest is deductible. If the proceeds were used to pay down personal debts, the interest is nondeductible. – Interest paid on home equity loans and lines of credit may be deductible if the funds are used to buy, build, or substantially improve the client's home that secures the loan. – Determine whether the grandfather rules apply to the client. If so, the pre-TCJA limits of $1 million/$500,000 still apply. – Explore whether an existing mortgage should be refinanced to an interest-only loan.	☐
D. Charitable Contributions – Let the client know that the limit on cash contributions to public charities and certain private foundations has been increased from 50% to 60% of AGI. – Suggest bunching or increasing charitable contributions in alternating years. This may be accomplished by donating to donor-advised funds.	☐
E. State and Local Tax Deduction – Inform clients of the new $10,000 ($5,000 if married filing separately) limit. Determine whether state and local tax deductions can be delayed or accelerated. – Monitor the state's response to this provision. ~~Some states are considering replacing state and local tax payments with charitable donations or employer-paid payroll taxes. Assess whether the IRS would use substance-over-form principles to recharacterize payments as taxes subject to the new limit~~.	☐
F. Gambling Expenses – If applicable, inform the client that all deductions for expenses incurred in carrying out wagering transactions, and not just gambling losses, are limited to the extent of gambling winnings.	☐
G. Miscellaneous Itemized Deductions – Let the client know that the deduction for miscellaneous itemized deductions that are subject to the 2% floor is eliminated. – Investment income will have few, if any, offsets in the calculation of net investment income. Determine any negative effects to the net investment income tax. – Determine whether tax preparation fees can be allocated to the client's Schedule C, E, or F.	☐

4. State Tax Position	Done
A. Conformity – Determine whether the client's state conforms to the federal tax rules. – Identify any state and local workarounds to unfavorable TCJA provisions, such as the limit on the state and local tax deduction.	☐
B. Itemized Deductions – Determine whether the client can itemize for state income tax purposes.	☐
5. Estate and Gift Tax Considerations	
A. Inform the client that the new estate and gift tax exemption for 2018 is $11.18 million. Determine whether the new exemption would relieve the client of any estate tax liability. Factor in the sunset of the new exemption after 2025.	☐
B. If the estate tax would continue to apply, pursue traditional planning opportunities, such as increased lifetime giving and portability elections.	☐
6. Qualified Business Income Deduction	
A. Determine whether the client qualifies for the deduction.	☐
B. Pursue planning opportunities to maximize the deduction. – Adjust the business's W-2 wages. – Convert independent contractors to employees (after considering additional payroll tax burden). – Invest in short-lived depreciable assets. ~~– Restructure the business.~~ ~~– Lease or sell property between businesses.~~	☐
C. For additional considerations, see the Qualified Business Income Deduction Checklist.	☐