

Tax Reform – A Banking Perspective

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Corporate Tax

Item	Before	After
Corporate tax rate	35% graduated	21% flat
AMT	Exists	Repealed
Bonus depreciation	50%, new only Phasing out (2019)	100% 9/28/17–12/31/22 Phase-out 2023–2026 Used property
Section 179 expense	\$500,000 max* \$2 million invest limit* Allowed on certain QRP	\$1 million max* \$2.5 million invest limit* Expand definition of QRP
Interest expense limitation	None	Limit net interest expense deduction to 30% of ATI Exception – \$25 million GR or less CF indefinitely Entity by entity for pass-throughs Consolidated group = 1 entity
NOLs	CB 2 years CF 20 years	CB – none CF – indefinitely 80% of TI limit All for NOLs generated after 2017
Contributions to capital	Sec 118 allowed possible tax-free status for contributions by "governmental unit" to a C corporation	Sec 118 amended to eliminate "governmental unit" benefit "Master development plan" grandfathered in
<i>*Indexed for inflation</i>		



Corporate Tax

Item	Before	After
AMT credit	CF indefinitely Allowed up to tentative AMT only	Partially refundable in 2018, 2019, 2020 All back by 2021
LIHC and rehab credits	Exists	No change
162(m) limit	Limit of certain exec. comp. Public companies Exception "performance based"	Adds CEO, CFO, and three highest No "performance based" exception
Business entertainment	50% deductible	0% deductible
Business meals – convenience of employer	100% deductible	50% deductible to 2025 0% deductible after 2025
Corporate dividends deduction	70% – own < 20% 80% – own 20%–80%	50% – own < 20% 65% – own 20%–80%
1031 like-kind exchange	Includes personal property and real property	Only real property
DPAD	Deduction for QPAI	Eliminated
FDIC premium deduction	Full deduction	Deduction limited Limit starts – TA \$10 billion 100% eliminated – TA \$50 billion
Pass-through income	Taxed at individual rate	20% QBI deduction Rules and limits still uncertain Certain businesses not eligible unless income is below threshold



Individual Tax

Item	Before	After
Individual tax rate	Top rate 39.6% 7 graduated rates 10%, 15%, 25%, 28%, 33%, 35%, 39.6%	Top rate 37% 7 graduated rates 10%, 12%, 22%, 24%, 32%, 35%, 37%
Standard deduction	\$12,700 MFJ \$6,350 S	\$24,000 MFJ \$12,000 S
Personal and dependent exemptions	\$4,050 per	-0-
Child tax credit	\$1,000 per Phase-out begins at \$110,000 MFJ Under 17	\$2,000 per Phase-out begins at \$400,000 MFJ Still under 17 \$500 credit for dependent who is not a "qualified child"
L/T capital gain and qualified dividend rate	Max 20%	Max 20% (no changes)
Investment and excess Medicare tax	3.8% Nil 0.9% excess income	No changes

Unless otherwise noted, individual tax changes apply to tax years after 2017 and before 2026

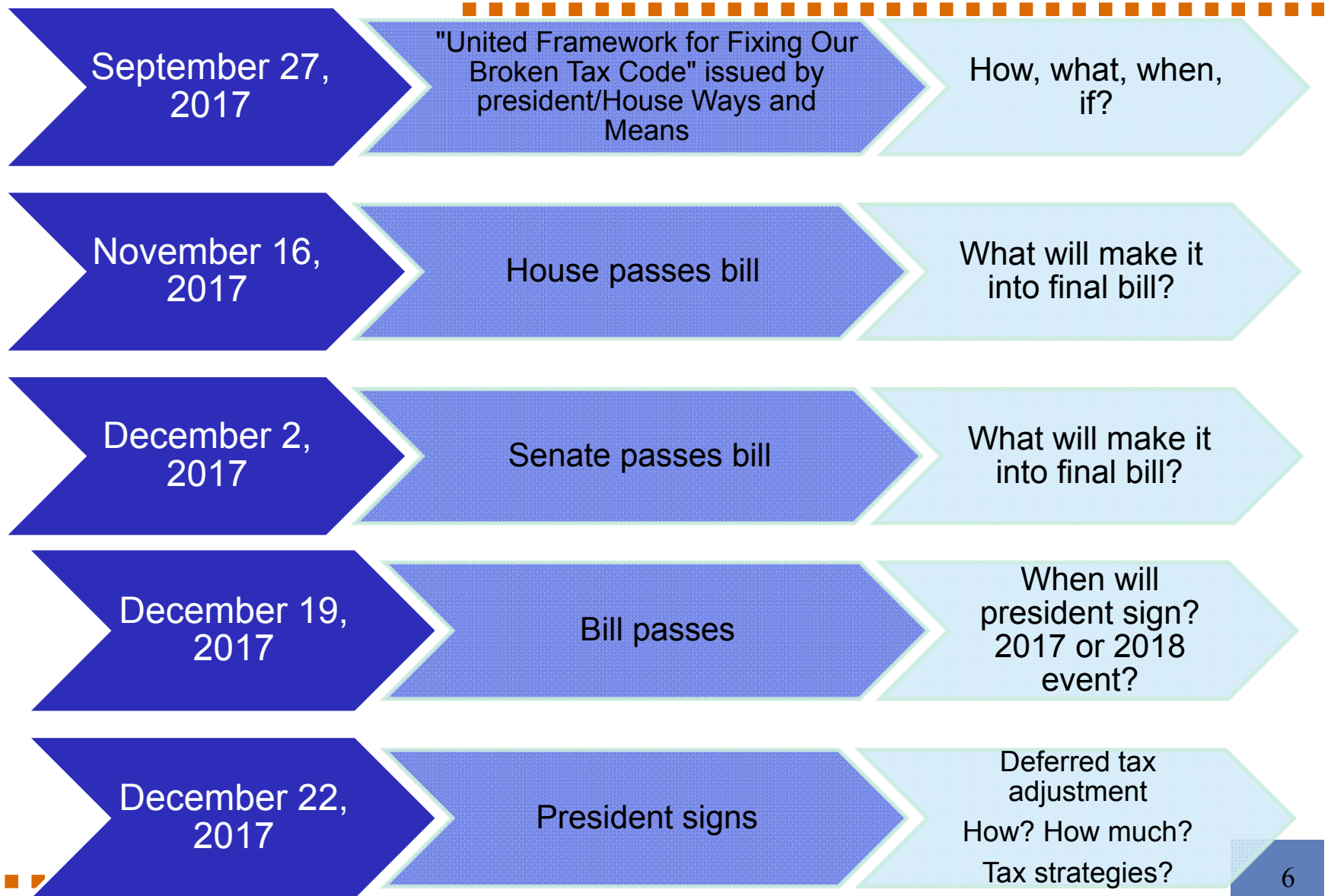


Individual Tax

Item	Before	After
Mortgage int deduction	Up to \$1 million acq. debt	Up to \$750,000 acq. debt Pre-1/1/18 grandfathered
Home equity int deduction	Up to \$100,000 debt No matter use	Eliminated No grandfathering Still deductible if "acq. debt"
State and local tax deduction	Allowed as itemized deduction	Only up to \$10,000 Allowed as item deduction
Unreimbursed employee expense	Allowed as itemized deduction	Eliminated
Tax prep fees/invest mgt fees	Allowed as itemized deduction	Eliminated
Medical expenses	Allowed as itemized deduction if > 10% of AGI	2017–2018 – 7.5% AGI After 2018 – back to 10%
Investment interest expense	Deductible to extent of investment income	No change
Alimony	Deductible	No deduction Agreements entered into on or after 1/1/19 Permanent change
Moving expenses	Deductible if work-related relocation	Eliminated
Estate and gift taxes	Lifetime exclusion = \$5 million (indexed for inflation) Max rate 40%	\$10 million exclusion (indexed for inflation) No change to rates
AMT	Exempt amount = \$84,500 MFJ Phase-out of exemption begins at \$160,900	Exempt amount = \$109,400 MFJ Phase-out of exemption begins at \$1 million

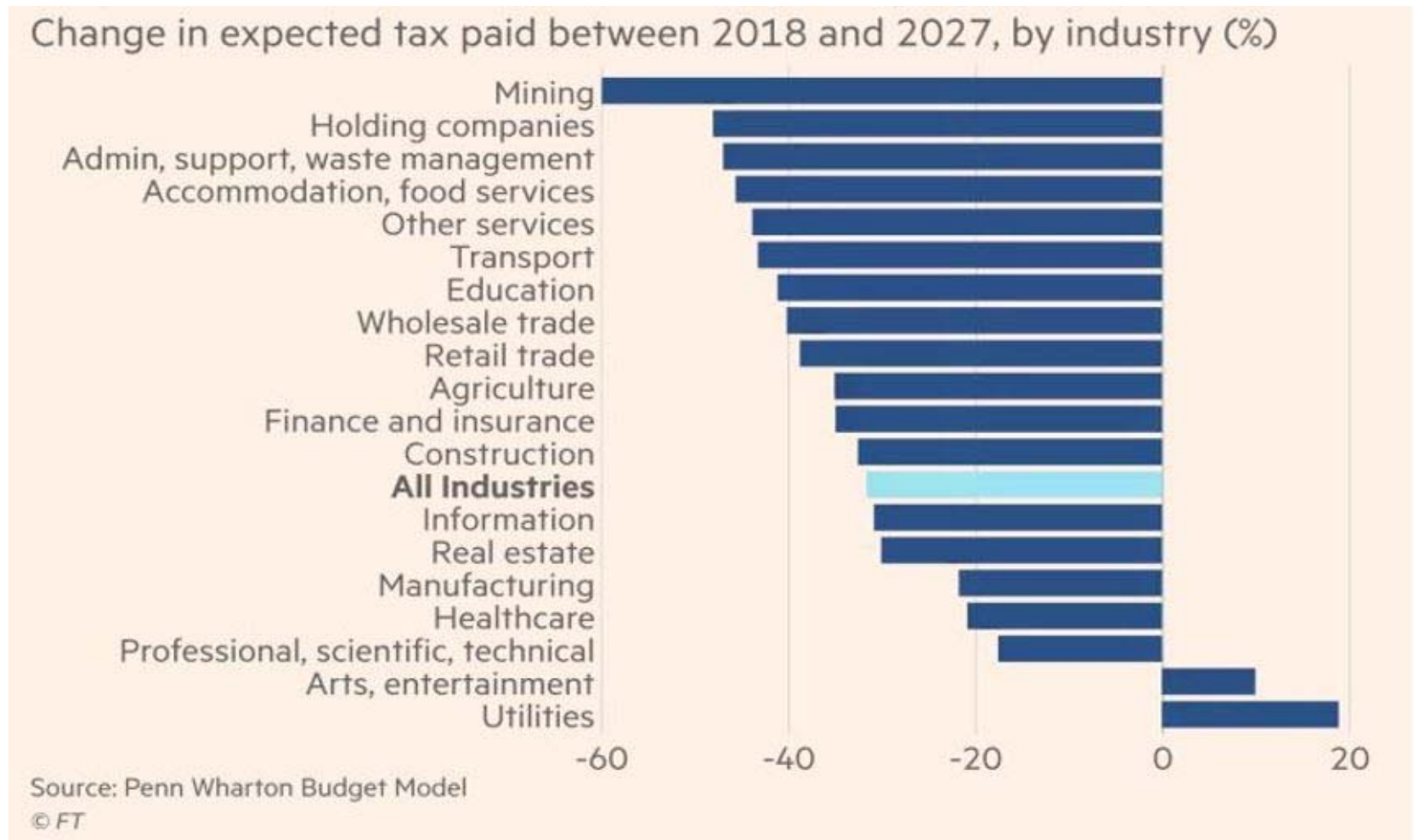


Timeline of Tax Cuts and Jobs Act of 2017





Change in Expected Tax Paid Between 2018 and 2027, by Industry (%)



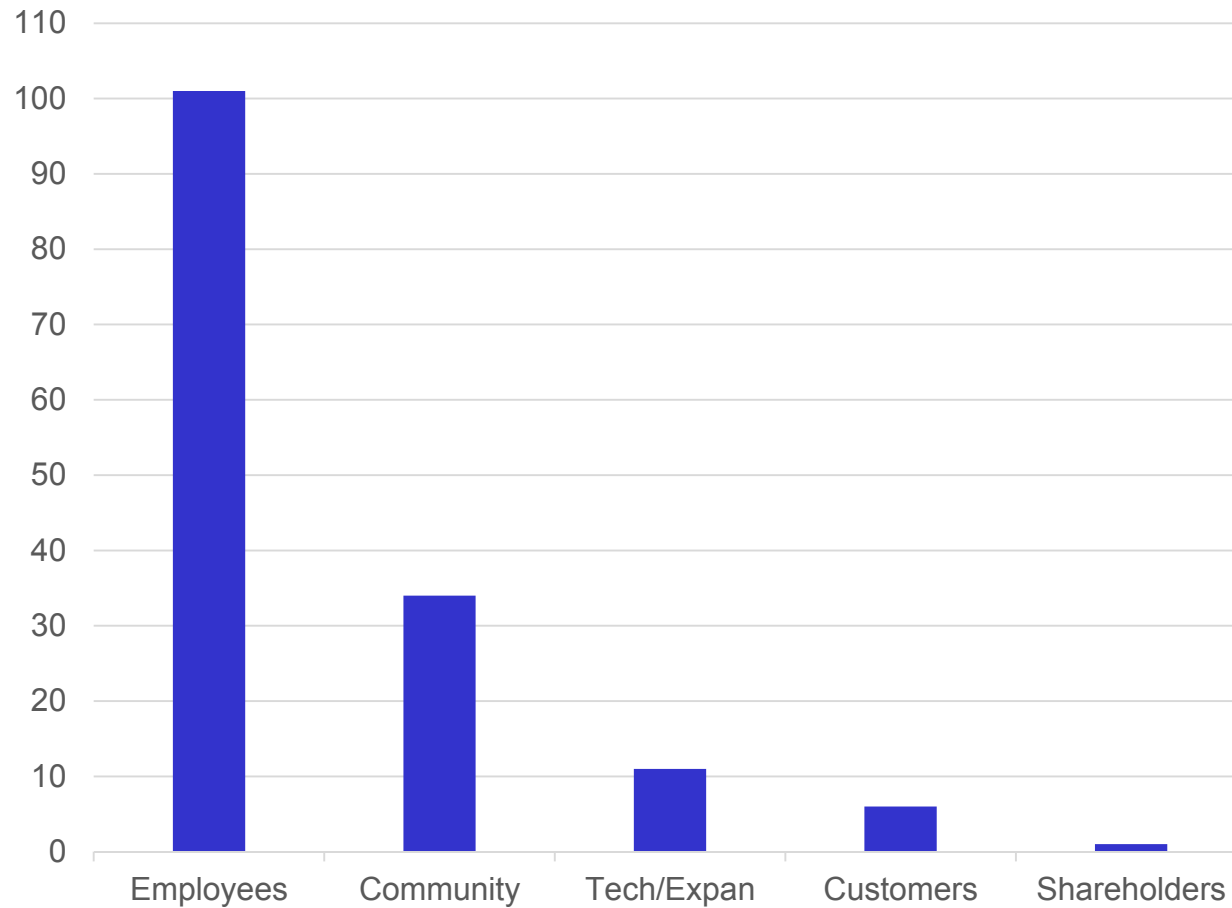


Uses – Tax Savings

Employees	Community	Technology/ Expansion	Customers	Shareholders
One-time bonuses	Specific donations	Specific tech expansion	Special rates	Increased dividends
Raises	Grants	Accelerate L/T initiatives	Special programs	Special dividends
401(k) matching	Goals – general	New branches	Investments in technology	Buybacks
Holiday pay increase	Foundations	Increase capital budget	Free appraisals	
Increase minimum pay	Programs	Hiring for new positions	Increased specialized lending programs	
New bonus pool		Mergers and acquisitions		
Employee programs				
Healthcare				



Public Announcements by Banks as of March 14, 2018 – Plan for Tax Savings



Per American Bankers Association website



What Now? Life in a Post-TCJA World

New tax planning available?

- Munis
- Capital investments
- Merger activity/tax vs. tax-free
- Entity choice
- Pass-through deductions
- Reexamine previous strategies
- More?

How will impact on customers affect you?

- Rules regarding home ownership/home equity loans
- Equipment financing
- Interest expense limitation
- Credit analysis
- More?

Uncertainty

- Will it last?
- Technical corrections
- Will they fix it?



Questions?



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