

February 2019

Citation and resource guide

Putting stock market volatility in perspective

The yearly highs and lows of the S&P 500 Index can be found at www.macrotrends.net/2324/sp-500-historical-chart-data.

Making stock sales less taxing

The IRS explains the rules on basis calculation in Publication 550, *Investment Income and Expenses (Including Capital Gains and Losses)*, p. 45, at www.irs.gov/pub/irs-pdf/p550.pdf.

New tax law enhances the appeal of C corporations

The IRS explains how corporations on a fiscal tax year, rather than a calendar year, may have to deal with the transition to new tax rates at www.irs.gov/newsroom/many-corporations-will-pay-a-blended-federal-income-tax-this-year-under-the-new-tax-reform-law.

Practice development tip

Use tax returns as a teaching tool

This year's tax filing season brings the first returns under the Tax Cuts and Jobs Act (TCJA) of 2017. Some features of the TCJA will be new to clients and may be startling. You can use these returns to trigger conversations and generate future tax-planning sessions.

For example, many married clients who generally itemize deductions will be taking the standard deduction for 2018, mainly due to the \$10,000 cap on state and local tax (SALT) deductions. (The impact on single filers won't be as great because the \$10,000 cap on SALT deductions is not far from the \$12,000 standard deduction for singles; couples have the same \$10,000 SALT cap and a \$24,000 standard deduction.)

Clients who take the standard deduction, rather than itemizing, will not benefit from charitable contribution deductions or large medical deductions. In planning for 2019, you might point out the benefit of taking qualified charitable distributions from IRAs once clients reach age 70½, so that reduced taxable income from required minimum distributions will offset the absence of charitable deductions.

Younger clients might want to frontload charitable donations to donor-advised funds in some years so they

can itemize donation deductions periodically. Similarly, elective medical expenses might be bunched in some years for possible deductions.

Another unfamiliar item on 2018 tax returns will be qualified business income (QBI), which can be 20% deductible for clients whose earnings come from certain pass-through entities. This is an extremely complex provision of the TCJA. Retirement plan contributions from S corporations, for example, may have a different impact than retirement plan contributions from LLCs due to QBI deductions.

Therefore, a discussion of QBI might lead to a future meeting for a detailed conversation about choice of business entity under the new tax law. Clients with QBI also might find Roth IRA conversions to be very tax-efficient, which could lead to future meetings on this topic.

Use these and other talking points to set up specialty conversations after tax season. At those meetings, start with the client's 2018 tax return and run some scenarios, showing the after-tax impact of potential tactics. Clients will appreciate a detailed look at some tax-efficient strategies.

Practice development and management resources from the AICPA

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The AICPA Personal Financial Planning Section membership is voluntary for CPAs and other professionals who provide personal financial planning services to individuals and families. The PFP Section member benefits include *The CPA's Guide to Financial and Estate Planning* among numerous practice guides, as well as free web seminars led by renowned experts, award-winning newsletters like *Planner*, and invaluable networking opportunities with CPAs around the country.

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AICPA PCPS/CPA.com MAP Survey National Summary

The AICPA's Private Companies Practice Section (PCPS) partnered with CPA.com on the National MAP (Management of an Accounting Practice) Survey, which was fielded from mid-May through July 2016. This summary provides financial and other key benchmarking data from the survey. This product will provide you with comparative benchmarking data relative to firm size and region that can help you create strategic goals and maximize your firm's performance.

[Item no. PCPSSUR03 – AICPA Member \$200.00, Nonmember \$300.00]

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MAP On Track

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[Item no. MAPTKD – AICPA Member \$229.00, Nonmember \$289.00]

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