

June 2019

Citation and resource guide

Mid-year tax planning

The IRS explains the current tax treatment of interest paid on home equity debt at

www.irs.gov/newsroom/interest-on-home-equity-loans-often-still-deductible-under-new-law.

How IRAs affect Medicaid planning

The federal government answers frequently asked questions about Medicaid at

www.medicaid.gov/medicaid-and-you/index.html.

New rules for business travel deductions

The IRS lists the requirements for accountable plans in Publication 463, Travel, Gift, and Car Expenses, p. 29, at www.irs.gov/pub/irs-pdf/p463.pdf.

Practice development tip

Offer tax-efficient estate planning tactics

As you read on page 1 of this issue of the *CPA Client Bulletin*, June and July may be excellent months to offer mid-year tax-planning meetings. In order to further promote these meetings to clients, mention that you'll cover tax-efficient estate planning, as well.

Some clients might respond that the federal estate tax exemption is now \$11.4 million per decedent, so this isn't a worry for them. It's true that *estate tax* planning won't be a concern for many people. On the other hand, you might point out that some estate planning practices can create *income tax* headaches for heirs.

To illustrate, suppose Ken Smith is a client with a large traditional IRA. He dies and leaves the IRA to his widow Lynn. Then Lynn dies, and a substantial IRA passes to the couple's son Mike and daughter Nancy.

Assume that Mike and Nancy are both in the 40s or 50s when they inherit shares of the IRA, with successful careers that place them in high income tax brackets. They'll have required minimum distributions (RMDs) on top of their other income, and who knows how high tax rates might be in the future?

To address this potential tax trap, you could ask clients if their estate plan includes charitable bequests. If so, you might suggest those charitable bequests come from traditional IRAs. The charities can get the money in the accounts without paying taxes, and your heirs could inherit more assets that don't come with future tax obligations.

Another approach is to suggest that clients skip charitable bequests or reduce them significantly. Instead, they could make qualified charitable distributions from their traditional IRAs to the recipient charities, as long as the IRA owners are at least age 70½. The charities would get the same money, only sooner, and beneficiaries could see taxable RMDs reduced or eliminated.

Indeed, some assets that pass to heirs might have unrealized capital gains. Under current law, those assets would get a basis step-up, possibly avoiding capital gains on a future sale by the heirs. Such planning could enhance your stature with clients because you would be suggesting ways to lower taxes on asset sales and IRA distributions for IRA owners and their beneficiaries.

Practice development and management resources from the AICPA

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AICPA Personal Financial Planning Membership Section

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.

[Item no. 03-NEW – AICPA Member \$176.25]

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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]

Management of an Accounting Practice eHandbook

This is your go-to resource for all things practice management. Streamlined online guidance for easy reading and quick reference on the topics you care about: employee compensation and benefits, staffing, disaster recovery, firm organization, benchmarking, strategic planning, and more!

[Item no. MAP-XX – AICPA Member \$149.00, Nonmember \$189.00]

MAP On Track

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

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