

KOREAN REAL ESTATE BROKERS ASSOCIATION

TAX UPDATE SEMINAR

SALLY H. KIM & ASSOCIATES

A PROFESSIONAL CORPORATION

07/11/2018

SPEAKER: SALLY H. KIM, CPA

- **Company Services**

- Corporation Setup & Dissolution
- Consulting
- Government Audit
- Private Companies Audit
- Book Keeping
- Payroll, Sales, Business tax reports, etc.
- Tax Return (Corporation, Individual, etc.)

School

UC Berkeley Business School
UCLA Business School

Experance

Kim & Youn, A Prof. Corporation. Tax Partner
Samsung Semiconductor, Engineer

Current

SALLY H. KIM & ASSOCIATES, A Prof. Corp. President
Oversea Korean Trading Association, 부이사장
평화통일 자문위원회, Accounting Director
Korean American Golf Association, Vice President
G-CEO, Internal Auditor
Korean vs. American Tax Forum, 이사
YGCEO 1기 임원

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- - Individual
- - Corporation

2. SOLE PROPRIETORSHIP VS. CORPORATION

3. TAX SAVING STRATEGIES

TAX UPDATES - INDIVIDUAL

A. Standard Deduction increased for Everyone.

Filing Status	Standard Deduction Amount
Single	\$12,000
Married Filing Jointly & Surviving Spouse	\$24,000
Married Filing Separately	\$12,000
Head of Household	\$18,000

B. Personal Exemption

Taxpayers can no longer claim the \$4,050 personal exemption for each of their dependents

2018 TAX UPDATES - INDIVIDUAL

C. Child Tax Credit

The Child Tax Credit increases in value from \$1,000 to \$2,000 per qualifying child. The tax reform bill also introduces a new \$500 credit for non-child dependents. \$1,400 child tax credit is refundable (phase out threshold: MFJ \$400,000, Single \$200,000)

D. Mortgage Interest

Individual who purchase a home in 2018 (after purchase Dec 15, 2017) can only deduct interest up to \$750,000 in mortgage debt (previously \$1 million). The interest deduction on home-equity loans is eliminated.

2018 TAX UPDATES - INDIVIDUAL

E. Child and Dependent Care Credit

Allows parents to deduct qualified child care expenses. \$1,050 (35% of max \$3,000 spend) for one child under 13 or \$2,100 for two children. If your income falls below \$15,000, you get 35% of your costs. That percentage then falls by 1% for every additional \$2,000 of income until it bottoms out at 20% for an income of \$43,000 or more. Plus, up to \$5,000 of income can still be sheltered in a dependent care FSA.

2018 TAX UPDATES - INDIVIDUAL

F. State and local taxes

The itemized deduction is limited to \$10,000 for both income and property taxes paid during the year. (California maximum rate for individuals is 12.3%)

- California state tax rate - attached

G. Contributions to Roth IRAs

For individual who are single or the heads of their households, the income phase out has been raised to \$120,000 to \$135,000. For married couples who filed jointly, the range climbs to \$189,000 to \$199,000. (limits \$5,500 under 50, \$6,500 50 or over)

2018 TAX UPDATES - INDIVIDUAL

H. 2018 Income Tax Brackets and Rates (~ from)

Rate	Individual	Married Filing Jointly	Head of Households
10%	\$0	\$0	\$0
12%	\$9,525	\$19,050	\$13,600
22%	\$38,700	\$77,400	\$51,800
24%	\$82,500	\$165,000	\$82,500
32%	\$157,500	\$315,000	\$157,500
35%	\$200,000	\$400,000	\$200,000
37%	\$500,000	\$600,000	\$500,000

2018 TAX UPDATES - INDIVIDUAL

I. Long Term Capital Gains and Dividend Taxes

Rate	Single	Married Filing Jointly	Head of Household	Married Filing Separately
0%	Up to \$38,600	Up to \$77,200	Up to \$51,700	Up to \$38,600
15%	\$38,600 ~ \$425,800	\$77,200 ~ \$479,000	\$51,700 ~ \$452,400	\$38,600 ~ \$239,500
20%	Over \$425,800	Over \$479,000	Over \$452,400	Over \$239,500

2018 TAX UPDATES - INDIVIDUAL

J. Charitable Contributions

AGI limitation for charitable contribution of cash made by individual to public charities and certain private foundations to 60% from 50% limitation.

K. Estate, gift, and generation-skipping transfer tax

Basic exclusion amount from \$5 million to \$10 million per individual. It applies to estates of decedents dying, generation-skipping transfers made, and gift made after 2017, but it scheduled sunset after December 31, 2025.

2018 TAX UPDATES - INDIVIDUAL

L. Reduction in medical expenses deduction floor

Individuals may deduct qualified medical expenses in excess of 7.5% of AGI for 2017 and 2018. After 2018, the deduction was limited to medical expenses in excess of 10% of AGI.

M. Modification of education savings rules (529 plans)

Earning and distribution from 529 plans were not taxable for federal purpose for qualified higher education expenses such as tuition and room and board as well as fees, books, supplies, and equipment required for enrollment. Under the new laws, \$10,000 per student per year for elementary and secondary schools. However, not limitation per year apply for post-secondary school expenses.

2018 TAX UPDATES - INDIVIDUAL

N. Deduction for alimony payments and including in gross income

Alimony and separate maintenance payments are not deductible by the payer spouse and are not includible in the income of the payee spouse for any divorce or separation agreement executed after December 31, 2018.

O. Excluded house and Senate Proposals

- I. Individual can exclude up to \$ 250,000 (\$500,000 MFJ) of gain realized on the sale or exchange of principal residence provided certain requirements regarding ownership and use.

2018 TAX UPDATES - INDIVIDUAL

2. Exclusion for educational assistance programs up to \$5,250 annually of employer-provide educational assistance is excludable from an employee's gross income.

2018 TAX UPDATES - BUSINESS

A. Corporation tax rates

Federal Corporation tax rate has been permanently reduced to flat tax rate of 21 percent.
(California state income tax rate: 8.84%, S-Corporation 1.5%)

B. Depreciable business assets

Additional first-year depreciation deduction (bonus depreciation) percentage is increased from 50% to 100% for property acquired and placed in service after September 2017.

C. Depreciation limitations on luxury automobiles and personal use property

If bonus depreciation is not claimed, limited to \$10,000/year one, \$16,000/year two, \$9,600/year three, and \$5,760 in all subsequent years.

2018 TAX UPDATES - BUSINESS

D. Recovery period for real property

Single 15-year recovery period for qualified improvement property, qualified restaurant and retail improvement property, nonresidential real property. Residential rental property is shortened from 40 years to 30 years.

E. Limitation on the deduction of net business interest expense

Disallow a deduction for net business interest expense of any taxpayer in excess of 30% a business Adjusted taxable income. (exception for certain rental property, etc.)

2018 TAX UPDATE - BUSINESS

F. Limits on like-kind exchange rules

1031 exchange is not allowed for an exchange of real property held primarily for sale. In addition, real property located in the United State is not considered like-kind to real property located outside of the United State.

G. Limitation of deduction by employers of expenses for entertainment and fringe benefits

. No deduction is allowed for 1) activity considered entertainment, amusement, or recreation 2) membership dues for any club organized for business, pleasure, recreation, or other social purposes or 3) a facility or portion of facility used in connection with entertainment, amusement, or recreation.

2018 TAX UPDATE - BUSINESS

- 4) 50% deduction limits for food and beverage expenses for business, certain meals provided by an employers as de minimis fringe benefits, to meals provided at an eating facility, on-promise dining facility, meals provided to employees for the convenience of the employer.
- 5) Disallowed any qualified transportation or to reimburse for the expenses for commuting between the employee's residence an place of employment include buses, van pools, subways or transit cards.
- 6) Disallowed for certain lobbying and political expenditures, illegal bribes, kickbacks or other illegal payments, and any fine or similar penalty paid to a government for violation of any law.

2018 TAX UPDATE - BUSINESS

H. Increase threshold for cash method

If AGI do not exceed \$25 million under the three-year AVG annual gross receipts, cash method can be used.

G. Loss limitation rules for taxpayers other than C corporation

Any excess business loss (over \$500,000 MFJ, \$250,000 Individual) of the taxpayer is not allowed.

SOLE PROPRIETORSHIPS

- Advantages and Disadvantages

ADVANTAGES	DISADVANTAGES
. EASE OF STARTING & DISSOLVING	. UNLIMITED LIABILITY
. CONTROL	. DIFFICULT TO RAISE CAPITAL
. OWN ALL PROFITS	. LIMITED MANAGEMENT ABILITIES
. USE OWNERS ABILITIES	. TIME DEMENDS
. STATE MINIMUM TAX	. EMPLOYEE HIRING AND RETAINION

SOLE PROPRIETORSHIP OR S- CORPORATION

Sole Proprietorship	S Corporation
Total Income = \$75,000	Total Income = \$75,000 Salary = \$37,500 Dividends = \$37,500
Total Income x Self-Employment Tax = \$75,000 x 15.3% = \$11,475 🙄	Salary x Self-Employment Tax = \$37,500 x 15.3% = \$5,373.50 👍

CALIFORNIA STATE INCOME TAX RATE

Schedule X — Single or married/RDP filing separately

Taxable income over	But not over	Tax is
\$0	\$8,223	\$0.00 + 1.00% of amount over \$0
\$8,223	\$19,495	\$82.23 + 2.00% of amount over \$8,223
\$19,495	\$30,769	\$307.67 + 4.00% of amount over \$19,495
\$30,769	\$42,711	\$758.63 + 6.00% of amount over \$30,769
\$42,711	\$53,980	\$1,475.15 + 8.00% of amount over \$42,711
\$53,980	\$275,738	\$2,376.67 + 9.30% of amount over \$53,980
\$275,738	\$330,884	\$23,000.16 + 10.30% of amount over \$275,738
\$330,884	\$551,473	\$28,680.20 + 11.30% of amount over \$330,884
\$551,473	AND OVER	\$53,606.76 + 12.30% of amount over \$551,473

THE END

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