

New HR1 (Tax Cuts ad Jobs Act)

New in 2018, flow through entities are offered a 20% reduction in taxes IF they fall under certain income limits.

Some of you will NOT get the 20% reduction in taxes if you earn too much. This cash balance plan could help you stay under the limits, thus obtaining the 20% tax savings.

How we can help you qualify for this 20% reduction in taxes.

For all pass through entities, owners can deduct 20% of qualified business income (QBI). (This is NOT available for C-Corps).

This new 20% deduction is subject to:

- Qualifications
- Limits
- Phase outs

Generally, you are eligible if you are an architect, an engineer, or your business is in manufacturing. If your business depends on you, and you are a service business (such as a doctor, dentist, lawyer, financial planner) then you are subject to income limits and may NOT be able to qualify for this deduction.

What are the income limits to qualify for the QBI deduction?

Single filers: Income under \$157,500 does qualify, and phases out at \$207,500.

Married filers: Income under \$315,000 does qualify, and phases out at \$415,000.

Below is an example of how this works.

New Tax Law, 20% Deduction & CB Plan

SCorp (Tax Consultant) –Married

W2 compensation	\$200,000
QBI	\$300,000
Taxable income	\$500,000 (exceeds \$415,000 limit)
20% Deduction	\$0
Cash Balance contribution	\$185,000
Taxable income	\$315,000 (\$500,000 - \$185,000)
QBI	\$115,000 (\$300,000 - \$185,000)
20% Deduction increases to	\$23,000 (20% of \$115,000)
<i>Net taxable income</i>	<i>\$292,000 (\$315,000 - \$23,000)</i>

\$185,000 contribution creates \$208,000 reduction in taxable income

We can help you LOWER your income to qualify for this 20% deduction with a cash balance plan. Please call us for details (248) 879-4510.