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P.O. Box 115008
 Carrollton, TX 75011-5008
 Tel (972) 250-7750 (800) 431-9025 Fax (888) 216-1929
 tax.thomsonreuters.com

LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Personal Financial Planning

Thirty-third Edition (May 2018)

Highlights of this Edition

The following are some of the important update features of the 2018 edition of *PPC's Guide to Personal Financial Planning*:

- **Coverage of the 2017 Tax Cuts and Jobs Act (TCJA).** Several tax provisions affecting planning for individuals have been changed, some retroactively, some effective beginning in 2018, and many will sunset after December 31, 2025. These provisions include the elimination of the personal exemption deduction, elimination of home equity indebtedness interest deduction, the limitation on the deduction for mortgage interest, increase in ABLE account contributions made by designated beneficiaries, increase in AMT exemption amounts, increase in the base estate and gift tax exemption amount, various retirement planning and charitable contribution changes, and new tax rates and brackets for tax years 2018–2025.
- **College Planning.** The *Guide* explains the latest issues affecting college planning, including education-related tax deductions and exclusions, education tax credits, college financial aid, and education loans.
- **Planning for the Closely Held Business.** The *Guide* explains the latest issues affecting the choice of entity decision, including the qualified business income deduction and the new limitation on business interest expense. A tool for analyzing the choice of entity has also been added.
- **New Practice Tips, Exhibits, etc.** The *Guide* includes several new Practice Tips, Observations, Law Change Alerts, and exhibits to explain new guidance and to help planners meet the needs of their clients.

In addition to these featured items, your *Guide* includes the update items detailed as follows:

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 5 Cash Management and Budgeting	1. Added a Law Change Alert on the elimination of the deduction for home equity interest for tax years 2018–2025 unless the proceeds were used to buy, build, or substantially improve the taxpayer's home that secures the loan.	Section 505
CHAPTER 6 Risk Management and Insurance	1. Added a Law Change Alert about a change by the TCJA regarding basis reductions for mortality charges no longer being needed for life settlement transactions. 2. Added a Law Change Alert about the reporting requirements for the purchase and sale of existing life contracts.	Section 612 Section 612
CHAPTER 7 Education Planning	1. Added a discussion about claiming a dependent for college credit eligibility. 2. Expanded the Practice Tip regarding the exemption of a dependent child for a custodial parent. 3. Expanded the discussion about unreimbursed educational expenses when not deductible under the TCJA.	Section 704 Section 704 Section 704

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	4. Noted the treatment of losses on qualified tuition plans under the TCJA.	Section 706
	5. Added a discussion about rollovers from a QTP to an ABLE account, as newly allowed by the TCJA.	Section 706
	6. Expanded discussion of the student loan discharge exclusion rules under the TCJA.	Section 707
	7. Emphasized the importance of certifying home equity loans as educational under the TCJA.	Section 707
	8. Expanded the discussion of kiddie tax treatment under the TCJA.	Section 709
	9. Noted that need-based aid is impacted by alimony exclusion from income, as impacted by the TCJA.	Section 711
	10. Addressed the expiration of the Federal Perkins Loan Program.	Section 712
CHAPTER 8 Retirement and Financial Independence Planning	1. Added a Planning Tip about new Section 199A qualified business income deduction.	Section 804
	2. Added a discussion concerning reversing a 2017 conversion of a traditional IRA to a Roth IRA.	Section 804
	3. Expanded the discussion about phased-out MyRA program.	Section 804
CHAPTER 9 Estate Planning	1. The basic exclusion amount may be restored in certain cases for transfers made to same-sex spouses, as discussed in this chapter	Throughout
	2. Added an Observation about the importance of a client's nontax goals after the 2017 Tax Cuts and Jobs Act increased the basic exclusion.	Section 902
	3. Enhanced the discussion on digital assets.	Section 906
	4. Added guidance on creating an ABLE account for a disabled individual.	Section 915
CHAPTER 10 Investment Planning and Asset Allocation	1. Added a Caution on treating virtual currency as a cash equivalent.	Section 1005
	2. Added a Law Change Alert on the lessening likelihood of a taxpayer being subject to alternative minimum tax.	Section 1008
	3. Added a Law Change Alert regarding the potential to claim the qualified business income (QBI) deduction on income from REITs.	Section 1014
	4. Added Law Change Alerts regarding the QBI deduction and the ability to claim it by limited partnerships and publicly traded partnerships.	Section 1015
CHAPTER 11 Integrating Tax and PFP	1. Added a Law Change Alert regarding the new tax laws enacted in 2017 and 2018.	Section 1100
	2. Added a Law Change Alert and updated text for new rules on capital gains tax rates enacted by the TCJA.	Section 1104
	3. Expanded the discussion on exclusion of gain of decedent's residence to include non-spouse heirs.	Section 1109
	4. Noted that under the TJCA, the individual shared responsibility payment amount for failure to be covered by health insurance is reduced to zero.	Section 1109
	5. Added an Observation that individuals covered by Medicare are ineligible to contribute to a health savings account.	Section 1109
	6. Added Law Change Alerts for the suspension of itemized deduction phaseout for high income individuals and for increased standard deduction.	Section 1110

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	7. Added an Observation that individuals who itemize may also be eligible for the QBI deduction.	Section 1110
	8. Added a Planning Tip on the bunching technique for itemized deductions.	Section 1110
	9. Noted that under the TCJA, medical expenses are subject to a 7.5% of AGI floor, and added a Planning Tip to accelerate payment of medical expenses into 2018.	Section 1110
	10. Added a Law Change Alert on the maximum \$10,000 deduction for state and local taxes, as enacted by the TCJA, including a Planning Tip, an Observation on the effect on alternative minimum tax (AMT), and a Caution on the use of the Section 266 election.	Section 1110
	11. Added Law Change Alerts on the lower cap on acquisition indebtedness for mortgage interest deductions and on the suspension of the deduction for home equity interest.	Section 1110
	12. Added a Law Change Alert on the increased 60% AGI limitation for cash contributions to 50% charities, including multiple examples.	Section 1110
	13. Added a Law Change Alert for the suspension of deduction of miscellaneous itemized deductions subject to the 2% of AGI floor.	Sections 1110 and 1114
	14. Added a Law Change Alert and updated the discussion for the new child tax credit provisions for 2018–2025.	Section 1111
	15. Noted that the home office deduction of an employee will be suspended from 2018–2025 due to the TCJA.	Section 1112
	16. Added a Law Change Alert and revised the discussion for new increased amounts for the Section 179 deduction.	Section 1112
	17. Noted that the sole proprietor may be eligible for the QBI deduction.	Section 1112
	18. Added a Law Change Alert for the change in the method that kiddie tax is calculated for 2018–2025.	Section 1113
	19. Mentioned the <i>VHC, Inc.</i> case on proper documentation of intrafamily loans.	Section 1113
	20. Added a Law Change Alert on the increased amounts for AMT thresholds and the 28% tax rate.	Section 1115
	21. Added a Law Change Alert on NOLs no longer allowed as a carryback, but may be carried forward indefinitely.	Section 1115
	22. Added Law Change Alerts on the potential higher contributions to an ABL account if made by the designated beneficiary on the ability to claim the saver’s credits on certain contributions to the ABL account and on the ability to roll certain qualified tuition plan distributions into an ABL account.	Section 1117
CHAPTER 15 Regulatory, Ethical, and Legal Issues	1. Noted that a new CFP Board Code of Ethics will go into effect on October 1, 2019.	Section 1501
	2. Added a Caution on the validity of the DOL fiduciary rule in light of the <i>Chamber of Commerce</i> case.	Section 1501
	3. Noted that the end of the transition period for the best interest contract exemption has been delayed to July 1, 2019.	Sections 1501 and 1503
	4. Added “standards overload” as a reason insurance may be advisable.	Section 1502

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 17 Marketing PFP Services	1. Added a Caution on the ability to deduct entertainment expenses and business meals when marketing to clients or other professionals.	Section 1705
	2. Noted that interest on home equity loans is not deductible from 2018–2025.	Appendix 17M
	3. Updated the Roadmap to account for the new tax legislation.	Appendix 17T
CHAPTER 20 Planning for the Closely Held Business	1. Added a Law Change Alert noting that the planning techniques in this chapter impacted by the TCJA have been revised.	Section 2000
	2. Added a Planning Tip on how certain law changes in the TCJA impact the choice of entity decision. A tool for analyzing the choice of entity has also been added.	Section 2003
	3. Added a discussion of the new deduction available to individuals equal to 20% of qualified business income from a partnership, S corporation, or sole proprietorship.	Section 2003
	4. Added a discussion on the new limitation on business interest expense.	Section 2003
	5. Revised the discussion on C corporation tax rates to reflect the new 21% flat rate, as changed by the TCJA.	Section 2004
	6. Added a Law Change Alert on the expansion of the availability of the cash method of accounting to include taxpayers (other than tax shelters) that satisfy a \$25 million gross receipts test.	Section 2004
	7. The TCJA repealed the corporate alternative minimum tax for tax years beginning after 2017 and before 2022. Updated the related discussion for this change.	Section 2004