



Privately Speaking

Insights on private company growth
from private company insiders

Issue 42 | Strengthening your business | December 2018



2019 Personal Tax Planning Guide

*With the new U.S. tax reform package now in force, many privately held companies and the owners of such entities are struggling to understand how their tax liabilities may have changed. In this edition of Privately Speaking, we draw from KPMG's new **2019 Personal Tax Planning Guide** to identify some of the more important changes and offer some tips to help you navigate the new tax landscape.*

What's changed?

For individuals, there are a number of significant changes that could impact your tax liability between 2018 and 2025. These include:

- Lower individual income tax rates and revised brackets
- New limits on itemized deductions including:
 - A \$10,000 cap on the deduction for state and local taxes in many cases
 - A lower limit on how much mortgage debt can be treated as acquisition indebtedness (which impacts how much of your mortgage interest can be deducted)
 - Suspension of the home equity indebtedness interest deduction (except for acquisition indebtedness).
 - Elimination of the overall 3 percent AGI limitation ("Pease" limitation)
- An increased estate, gift, and generation-skipping transfer tax exclusion of \$11.8 million per person for 2018
- A simplified 'kiddie tax'
- A new 20 percent deduction for qualifying income of certain owners of passthrough businesses and sole proprietorships
- New limits on active net business losses.



If you are involved in a privately-held or family-owned business, you need to understand the implications of the new tax rules. Prepared by tax professionals from our Washington National Tax office, our 2019 Personal Tax Planning Guide provides valuable information about the current tax laws while providing corresponding planning tips.

— **Brad Sprong**, Partner and National Tax Leader for KPMG's Private Markets Group and Co-leader, Family Offices and Private Client Services group



Did you know?

Whereas, in 2017, your business losses could offset income from other sources (such as portfolio investments), beginning in 2018, such losses can offset only trade or business income or gain (plus either \$250,000/\$500,000). As a result, individuals with significant portfolio income may be subject to tax on such income in year one with a carryover of the excess business loss to the following year as a net operating loss that should be available to offset portfolio income in the subsequent year without limitation under section 461(l).



What's new for family offices in 2019?

The guide will be helpful for family offices, as it outlines steps worth considering in light of recent U.S. tax reform, including:

- 1 Reviewing entity structure to capitalize on the new tax rates or the 20 percent pass-through deduction
- 2 Planning to use the increased estate, gift, and generation-skipping transfer tax exclusion of \$11.40 million per person for 2019
- 3 Addressing the increasing cost of a family office due to the disallowance of miscellaneous itemized deductions
- 4 Reviewing the structure and benefits of private foundations
- 5 Planning for the potential impact of the new non-passive business loss limitation

Did you know?

The personal exemption, a flat deduction of more than \$4,000 for each taxpayer and dependent, has been suspended for tax years 2018 through 2025. The standard deduction, the amount claimed by those who cannot itemize, has been nearly doubled, which helps to offset the loss of the personal exemption. A new 'non-child' tax credit of \$500 is allowed for dependents who do not qualify for the \$2,000 child tax credit.



Want to learn more?

KPMG's 2019 Personal Tax Planning Guide provides information and planning tips to help you make sense of the complex array of tax laws affecting higher-income taxpayers. Based on thorough analysis of the new and existing tax laws and guidance from the IRS, the guide is intended to help individuals plan for the upcoming tax season and achieve their personal and professional goals such as:

- Leveraging tax benefits to which you are entitled
- Preserving investment returns
- Structuring charitable giving to make the most of your donations
- Protecting and securing support for your dependents—now and after your death
- Preparing for a secure and comfortable retirement
- Forming and sustaining a thriving family or private business.



[Read more >>](#)

To download KPMG LLP's 2019 Personal Tax Planning Guide, visit read.kpmg.us/personaltaxplanningguide.



While most of the new corporate tax provisions are permanent, many of the individual provisions—such as the new deduction for some owners of passthrough entities—are scheduled to expire after 2025. We also expect to see further legislative changes to the taxation of higher-income taxpayers and business owners in the future. And that makes long-term planning particularly difficult.

— **Bill Jackson,**
Tax Partner



Did you know?

For net operating losses incurred in tax years ending after December 31, 2017, taxpayers are no longer permitted to carry back such losses but can carry forward such losses indefinitely. The new law also limits the deduction for any particular year to 80 percent of taxable income for losses arising in tax years beginning after December 31, 2017.



Did you know?

Business owners may want to reassess their activities within the business to see if family members can be included as employees. But, remember, if you employ your child or spouse in the family business, you must make certain that he or she performs some valuable service that warrants employment. In addition, you cannot pay your child more than a reasonable wage for the work performed.



We can help!

Regardless of where you are in your journey, KPMG professionals can assist in responding to the associated challenges and help you realize the significant value from your investments. **Click here** to contact your local KPMG member firm.



Don't miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by—sign up to receive KPMG's **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

Register here to subscribe to KPMG's *Privately Speaking* series:



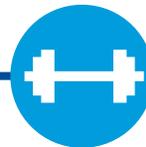
Starting your
business



Growing your
business



Strengthening
your business



Transitioning
your business



Privately Speaking focuses on the issues that matter most to privately held entities, including PE- and VC-backed companies.

KPMG LLP's (KPMG) Private Markets Group understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

For more information, click here to visit our **Privately Speaking** web page.



Contacts

Brian Hughes
Partner
National Private Markets Group (PMG) Leader
National Venture Capital Coleader
T: 267-256-1820
E: bfhughes@kpmg.com

Conor Moore
Partner
National Venture Capital Coleader
T: 415-963-7559
E: conormoore@kpmg.com

Sal Melilli
Partner
National PMG Audit Leader
T: 212-872-6030
E: smelilli@kpmg.com

Brad Sprong
Partner
National PMG Tax Leader
T: 816-802-5270
E: bsprong@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



The information in this document is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG's individual tax services may only be provided to owners and senior executives of private business clients of the firm or in connection with global mobility services or bank trust outsourcing services.

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPPS 741134_Issue42