LAWSON KROEKER
INVESTMENT MANAGEMENT

# *As We See It*

"...but in this world nothing can be said to be certain, except death and taxes."
— Benjamin Franklin

In the eleventh hour of 2017, our elected officials approved some of the more sweeping changes to taxes in some time. Accordingly, we encourage you to have discussions with your accountant regarding the recent tax changes and their potential impact to your portfolio. While tax changes inevitably come and go, we remain committed to our objective of helping you meet your investment objectives regardless of changes in the tax code. While not to be construed as tax advice, the following are some of the changes we feel are most relevant to your investment portfolio and your estate plan.

**Individual tax brackets will change**. The final tax bill keeps seven tax brackets but changes the tax rates, which shifts income into lower brackets. The preferential rates for long-term capital gains and qualified dividends remain essentially **unchanged**, and short-term capital gains will be taxed at the adjusted ordinary income tax rates.

**Treatment and calculation of cost basis on investment sales remains unchanged**. The Senate tax bill had a provision in it that would have required investors to use the *first-in, first-out* (FIFO) method to calculate cost basis for investment sales. Investors can breathe a sigh of relief, as this provision is **not** included in the final tax bill.

**Corporate tax rate is lowered.** The final tax bill reduces the corporate tax rate to 21% from 35%. Lowering the corporate tax rate should increase the profits of many companies, which could provide additional capital for business expansion, increase dividends to shareholders, and make the U.S. a more attractive place for foreign businesses to open operations.

**No changes were made to tax-deferred retirement accounts**. Early on in the tax debate, it was rumored that Republicans considered changes to the deductions taxpayers receive for contributing to tax-deferred retirement accounts, such as IRAs or 401(k) retirement plans. The proposal was **not** included in the final tax bill.

**Miscellaneous itemized deductions will be eliminated**. The final tax bill reduces or eliminates many itemized deductions in favor of a higher standard deduction—which means investment advisory and tax preparation fees will no longer be deductible starting in 2018.

**Temporary increase in federal estate tax exemption made.** The law will roughly double the federal estate tax exemption to $11 million per person ($22 million per couple), indexed to inflation. Beneficiaries will still get a step up in basis.

These are just a few highlights from a tax bill that was over one thousand pages. While the above items largely affect your personal tax return, the change in the corporate tax rate is likely to have the most significant impact on your balance sheet as the stock market seems to have adjusted by anticipating higher after-tax earnings in the future. In a year that may require more attention to detail, please do not hesitate to engage our team—we are more than happy to speak directly with your tax and legal professionals.

Year End 2017

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