WOMEN & WEALTH

New Tax Reform: Answers to Common Questions

At Calamos Wealth Management, we are committed to engaging and supporting women on sophisticated wealth planning topics while helping them proactively navigate their financial landscape. As women create and control an increasing share of wealth, their economic influence both at home and in the workplace continues to grow as well.

To help women feel prepared and confident in their understanding of how the new Tax Act may affect them, below we have summarized some common questions and related answers:

Q: How has the primary mortgage interest deduction changed? How does it affect a taxpayers' current loan that exceeds the new limits?

A: For taxpayers who had outstanding mortgages prior to December 15, 2017, primary mortgage interest remains deductible up to $1 million of principal. Certain mortgages on pending transactions also were grandfathered under the prior rules. This grandfather provision applies to those transactions under contract by December 15, 2017, purchased by January 1, 2018 and closed by April 1, 2018. New mortgages will be deductible up to principal amounts of $750,000. For all purposes, primary mortgages apply to totals on primary and secondary homes combined.

Q: Can taxpayers still deduct interest paid on a Home Equity Line of Credit (HELOC)? Does this answer change if there is no primary mortgage but only a HELOC? Is the HELOC then considered a first position loan and thus tax deductible?

A: Likely no, in either situation. Under the new Tax Act, taxpayers only may deduct interest on primary mortgages, unless HELOC is used specifically for home improvements and is within deduction limits.

Q: How has the estate tax exemption changed?

A: The estate tax exemption has doubled under the new Tax Act. Each taxpayer now has a personal estate tax exemption amount of $11.2 million; married couples can now shelter up to $22.4 million from estate tax. Congress will adjust these amounts for inflation over time.

It is important to review your old estate plan. State estate taxes may now present problems that did not exist before. Even though a taxpayer may not be subject to the federal estate tax due to its higher exemption amount, that taxpayer may still be subject to a state inheritance or estate tax in light of significant changes Congress has made to estate tax laws over time since June of 2001. Those taxpayers should update their estate plans to account for their particular state laws to avoid triggering the applicable state estate tax prematurely. Estate plans that use self-adjusting formulas should also be reviewed to ensure the resulting trusts and funding amounts still reflect intended results among beneficiaries.

Q: Congress stated the new Tax Act would provide tax savings for all Americans. Is this the case?

A: Although the new Tax Act may benefit the majority of Americans, single taxpayers with income over $157,000 and married couples with income over $315,000 likely will pay higher taxes. This result seems likely because these taxpayers previously spent more time in the 28% bracket before progressing into the 33% bracket.

These same taxpayers now will spend less time in the lower 24% bracket before progressing into the 32% bracket while losing key itemized deductions that have been reduced or eliminated under the new Tax Act.

If you have any questions, we encourage you to contact us, or your tax professional, to explore how the new laws may affect your personal situation.

.

Content based on *"New Tax Reform: Answers to Common Questions"* by Terry LaBant, Sr. Wealth Strategist at Calamos Wealth Management. Full piece available at http://www.calamos.com/WM/NewsInsights/WealthStrategyInsights/Insight?name=2018-01-18-new-tax-reform-common-questions. For more information about federal and state taxes, please consult the Internal Revenue Service and the appropriate state-level departments of revenue, respectively. Calamos Wealth Management LLC is neither a law firm nor a certified public accounting firm and no portion of the content should be construed as legal or accounting advice. Each individual's tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation. This information is provided for informational purposes only and should not be considered tax or legal advice. Opinions and estimates offered constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness.

CALAMOS®
WEALTH
MANAGEMENT

Calamos Wealth Management 2020 Calamos Court | Naperville, IL 60563 | 888.857.7604 | www.calamos.com/wm | cwm@calamos.com
 WW LITCODE 0418O C CWM