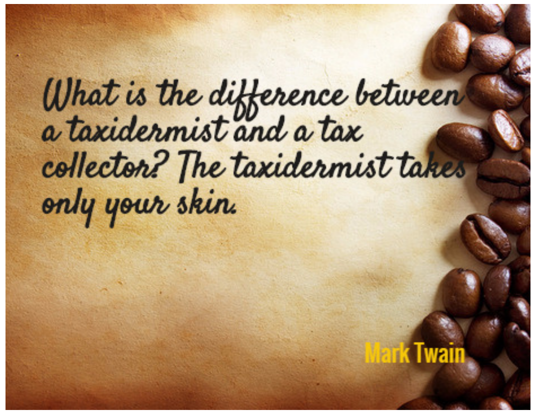
ROBERT F. MURRAY AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL ADVISORS • A PROFESSIONAL CORPORATION

November, 2017

Dear Clients & Friends:



As the end of the year approaches, it is a good time to think of planning moves that will help lower your tax bill for this year and possibly the next.

The U.S. House of Representatives has just introduced their long awaited tax bill known as "The Tax Cut and Jobs Act". The bill is over 400 pages long and is the first step in the process of making major changes to the Internal Revenue Code. The Trump Administration has made tax reform a top priority in hopes of simplifying the tax code and driving economic growth. Some of the key features of the bill are as follows:

Provisions affecting businesses would:

- Reduce the corporate tax rate to 20% and provide for a repatriation of offshore profits at a lower rate
- Reduce the tax rate on pass-through income from family-owned businesses conducted as sole proprietorships, partnerships and S corporations to 25%
- Limit the deductibility of interest expense to 30% of business taxable income (with exemption for businesses with less than $25M in revenue)
- Provide full expensing of capital equipment for six years

Provisions affecting individuals would:

- Increase the standard deduction to $12,000/$24,000 Single/Married
- Eliminate personal exemptions
- Reduce the number of tax brackets to four brackets. Highest bracket remains at 39.6%
- Increase the child tax credit
- Repeal the individual alternative minimum tax
- Largely eliminate itemized deductions, but retain the charitable contribution deduction and a limited home mortgage interest deduction
- Double the exemption for estate taxes and complete phase out of the tax by 2023

These tax changes could make major changes to future tax planning. As of this writing, however, some long-standing tax reduction strategies still apply, and might be more valuable in light of reduced tax rates in the future.

- Postpone income until 2018 and accelerate deductions into 2017 to lower your 2017 tax bill. This strategy may be especially valuable if Congress succeeds in lowering tax rates next year in exchange for slimmed-down deductions.

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Regardless of what happens in Congress, this strategy could enable you to claim larger deductions, credits, and other tax breaks for 2017 that are phased out over varying levels of adjusted gross income (AGI). These include child tax credits, higher education tax credits, and deductions for student loan interest. Postponing income also is desirable for those taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances. Note, however, that in some cases, it may pay to actually accelerate income into 2017. For example, this may be the case where a person will have a more favorable filing status this year than next (e.g., head of household versus individual filing status).

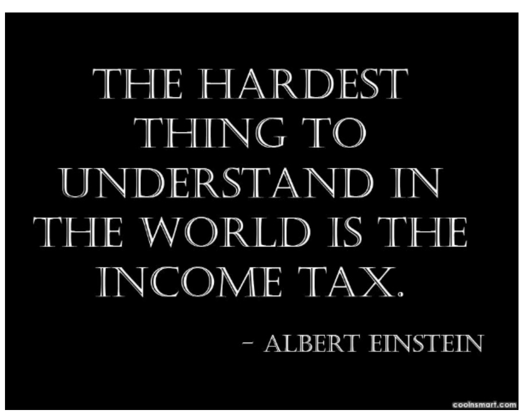
- You may be able to save taxes by applying a bunching strategy to pull "miscellaneous" itemized deductions, medical expenses and other itemized deductions into this year. This strategy would be especially beneficial if Congress eliminates such deductions beginning in 2018.

- Take required minimum distributions (RMDs) from your IRA or 401(k) plan (or other employer-sponsored retirement plan). RMDs from IRAs must begin by April 1 of the year following the year you reach age 70-½. That start date also applies to company plans, but non-5% company owners who continue working may defer RMDs until April 1 following the year they retire. Failure to take a required withdrawal can result in a penalty of 50% of the amount of the RMD not withdrawn. Although RMDs must begin no later than April 1 following the year in which the IRA owner attains age 70-½, the first distribution calendar year is the year in which the IRA owner attains age 70-½. Thus, if you turn age 70-½ in 2017, you can delay the first required distribution to 2018, but if you do, you will have to take a double distribution in 2018-the amount required for 2017 plus the amount required for 2018. Think twice before delaying 2017 distributions to 2018, as bunching income into 2018 might push you into a higher tax bracket or have a detrimental impact on various income tax deductions that are reduced at higher income levels. However, it could be beneficial to take both distributions in 2018 if you will be in a substantially lower bracket that year.

- If you were affected by Hurricane Harvey, Irma, or Maria, keep in mind that you may be entitled to special tax relief under recently passed legislation, such as relaxed casualty loss rules and eased access to your retirement funds. In addition, qualifying charitable contributions related to relief efforts in the Hurricane Harvey, Irma, or Maria disaster areas aren't subject to the usual charitable deduction limitations.

- Mid-Michigan also experienced substantial flood damage in which insurance reimbursements in some cases did not cover the costs to repair the home. If you experienced “out of pocket” expenses in excess of 10% of your income then you may qualify to deduct a casualty loss.

With so much talk about substantive tax law changes, tax planning is more important than ever. We encourage pro-active tax planning so please do not hesitate to contact us to evaluate your situation.



Sincerely,

Robert F. Murray & Co.

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Certified Public Accountants, P.C.