

# Q&A

*Business executives are excited about the prospect of tax reform, according to some of Orange County's top accountants.*

*The Business Journal's financial editor, Peter J. Brennan, asked the professionals to tell us what their clients are saying about tax proposals and the advice they're giving clients.*

*They discussed the various possibilities, which include:*

- *Corporate tax rate cut to 15% or 20%*
- *Individual tax rate topping out at 33%*
- *A 15% or 20% tax rate on companies that pay through S corporations or partnerships, down from a top rate of 39.6%*
- *Elimination of alternative minimum tax*
  - *Elimination of death tax*
  - *Changes in carried interest*

- *Cut in capital gains and dividends from 23.8% to 20%*
- *Reduced corporate tax of 10% on repatriated profits*
- *Immediate business expensing rather than depreciation*

*Here are edited excerpts of the accountants' responses:*

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Living in a desirable location such as Southern California does come with some

hurdles. Most notable of those would include navigating the nation's highest individual state income tax rate of 13.3%. Combine that with the top federal tax rate of 39.6%, excluding the 3.8% net investment tax that has yet to be repealed, and



you are looking at some hefty tax bills. That makes us incredibly interested when we hear about upcoming tax reform.

Billed as 'The Biggest Individual and Business Tax Cut in American History,' the administration's one-page summary is sure leaving a lot to the imagination. The reductions, whether they are historically the biggest or not, are welcome. It's just a matter of wait-and-see right now.

The summary features relief for middle-income families, and the elimination of tax breaks that benefit the wealthiest taxpayers. The one-page plan presented by the Trump administration indicates that the highest proposed individual tax bracket is 35% rather than the 33% initially anticipated. You don't have to be Warren Buffet to see those two percentage points adding up to millions of dollars.

For middle-market companies like those I serve, a similar compromise on corporate taxes can mean a big loss to the bottom line, and it's the difference between opening a new factory or not; hiring new web programmers or not; launching a new product line or not; or even a foreign company looking to move to the U.S. or not.

Without better insight into the current administration's plan, it would be unwise to make significant life or strategy changes

➡ [Q&A 33](#)

# [ Q & A ]

➔ *from page 27*

based on uncertain tax reform. During this time of uncertainty, taxpayers should first look to strategies that help maintain wealth and reduce or defer tax, such as utilizing and maximizing retirement vehicles, diversifying investments, rebalancing portfolios, or harvesting tax losses.