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Managing Management Companies Under Section 199(A): 29.6 Reasons That High Earners Should Consider This

by Brandon Ketron

Section 199A of the Internal Revenue Code was established as of late 2017 as part of the new tax act. Many taxpayers will not qualify for the section's 20% deduction available for trade and business income by reason of not restructuring to fit within the definitions that must be satisfied.

This article will enable many novices to identify Section 199A deduction arrangements that may be necessary for their situation, including the use of management companies that may provide for shifting of income that would otherwise not qualify for a Section 199A deduction into a mode of income that will qualify. This is not intended to be a comprehensive treatment of Section 199A. Our comprehensive article on Section 199 is currently in progress and will be provided to the readers of the Thursday Report in the near future.

Individuals and separately-taxed trusts that have $157,500 or less in total taxable income, or married individuals with less than $315,000, will qualify for the 20% deduction if they own a trade, business, or active rental activity, or report K-1 income from a partnership or S corporation that has a trade, business, or active rental activity. The deduction applies to income from what are known as flow-through business entities, which is virtually every business type except for C corporations.

Where the individual taxpayer or trust has more than the above amounts in total income, certain limitations cause a phase out of the deduction if a single taxpayer or a trust has income between $157,500 and $207,500, or between $315,000 and $415,000 if married. Above the $207,500 and $415,000 amounts, there may be no deduction permitted unless certain requirements are satisfied.

Luckily, even those who earn more in taxable income than the $207,500/$415,000 thresholds can qualify for a significant deduction depending on what type of business income they receive and whether the conditions set forth below are satsified.

There are two general requirements that may limit or eliminate a high-earner taxpayer's ability to take a 20% Section 199A deduction on income from a trade, business or rental activity:

1. Insufficient wages paid and/or qualified property owned by the person, S corporation or entity taxed as a partnership that generates the income. When income is received by a high-income individual (those above the $207,500/$415,000 amounts) other than from a Specified Service Trade or Business, the 20% deduction will be limited to the greater of (1) 50% of the wages paid by the applicable trade, business or rental activity which are allocated to the taxpayer or (2) the sum of 2.5% of depreciable assets plus 25% of W-2 wages.

What are sufficient wages and property? One of these values, (1) 50% of W-2 wages or (2) the sum of 2.5% of depreciable assets plus 25% of W-2 wages, must be greater than the taxpayer's 20% deduction, in order for the taxpayer to claim the full deduction. These values are also limited pro rata to the taxpayer's interest in the company. For example, if the taxpayer owns 50% of the company, then the taxpayer can only claim 25% of wages or 1.25% of depreciable assets (50% of the original values).

As the result of this first test, many individual taxpayers, S corporations, and LLCs, and other entities taxed as partnerships will be well advised to pay wages and/or to acquire depreciable assets in order to qualify for the deduction.

For example, a widget manufacturing company generates $200,000 a year in K-1 income and provides a $100,000 K-1 to its 50% owner, John. John is married and earns more than $415,000 a year. John's potential deduction from the widget company's flow-through income is $20,000 ($100,000 * $20,000). Accordingly, John should ensure that his company pays at least $80,000 ($80,000 * 50% * John's 50% share = $20,000) in W-2 wages to employees or has $1,600,000 ($1,600,000 * 2.5% * John's 50% share = $20,000).

It is important to note that depreciable assets (also known as qualified property) must not have fully depreciated, or have not been placed in service for more than 10 years if that is longer than full depreciation, in order for the high bracket shareholder to pay tax on only 80% of the K-1 income.

Many businesses will convert independent contractors to employees or pay wages to owners in order to meet this test.

Many individuals will also form and fund pension plans to get their income below the $157,500 or $315,000 levels to avoid the consideration of additional wages or qualified property.

Partners in an LLC or other entity taxed as a partnership should consider whether compensation paid by partners can qualify as wages under the "guaranteed payment rules." - HINT - They can't. As a result, taxpayers should consider creating an S corporation to hold their ownership interest in a partnership/LLC.

Because the taxpayer's S corporation is now the partner (by owning the partnership interest), the taxpayer is not receiving guaranteed payments and instead receiving wages as an employee, which can count for the Wage and Qualified Property requirements of 199A.

2. A second prominent prohibition applies to what we refer to as "listed services." These are known under the Statute as Specified Service Trades or Businesses, and include the practice of medicine, law, consulting, accounting, and athletics, as well as other items that are shown below in the footnote.

Only individual taxpayers and trusts who are above the income limits described above are impacted by these limitations.

Individual taxpayers above the income limits that are involved in the furnishing of listed services cannot claim the deduction for any flow-through income from the listed services. Individuals with listed service income would be able to claim income from non-listed service flow-through income, assuming that the wage and qualified property test described in Section 1 is satisfied.

Additionally, it should be possible to make reasonable allocations to management and rental companies to separate income not directly involved in the furnishing of one or more of the listed services. Whether the IRS is to allow reasonable allocations of income without the separate ownership of separate entities is yet to be seen or decided, although some tax professionals have indicated that the IRS has informally stated that this would not be allowed.

As the result of this, many professional practices and other listed businesses and their owners will consider the following:

1. Reduce individual income to be below the limits described above.

2. Allow for ownership by other individuals or trusts or combinations thereof that will fit below the income limits described above.

3. Establish arm's length management companies or other entities that will cause reduction of the income from the professional services that can be earned or reported to taxpayers who are below the limits described above or are arranged so that the management, marketing, or other applicable operation has sufficient wages and/or replacement property to qualify as intended.

Number 3 above may be the best way to navigate the uncertainty of allocations for 199A at this point. Hopefully, regulations or guidance will clear up this ambiguity, but an arm's length agreement seems like the proper manner to separate non-listed services.

An example of how this might work is as follows, and a chart of the below example can be found by clicking here:

Dr. and Mrs. Jones own Dr. Jones' medical practice S Corporation which has $4,000,000 per year of K-1 income and pays Dr. Jones a $350,000 salary.

Dr. and Mrs. Jones are not eligible for the 20% Section 199A deduction because they have income that exceeds $415,000.

They have two married children who each earn $100,000 a year of taxable income, and one single child that has no taxable income.

Dr. and Mrs. Jones set up a Management Company that may receive 30% of profits as a fee for providing management services to the Medical Practice, reducing the Medical Practice's income to $2,800,000. This would be consistent with arm's-lengths deals that we have seen in the past, and the income from the Management Company would not be considered income from one of the listed trades or businesses and be eligible for the 20% deduction. Since the management company's income exceeds the $315,000 threshold, the management company will need to pay W-2 wages in order to avoid having the 20% deduction reduced. We have determined that the optimal wage to non-wage income for an employee/owner is approximately 28.57% and are therefore showing Dr. Jones receiving a salary of $342,840. This results in Dr. and Mrs. Jones receiving a $171,432 income tax deduction on approximately $857,000 of income from the Management Company, and an approximate tax savings of $50,402.

They also transfer 10% of their stock in the Medical Practice to three separate trusts that are taxed as Electing Small Business Trusts (ESBTs) in order to maintain the S Election of the company. The trusts are for the children only, and not grandchildren or any spouse so that the company does not have to register as a clinic under the Florida Clinical Licensing Act.

Trusts that are treated as separate taxpayers (and known in the tax code as "Complex Trusts") are generally subject to income tax on income retained, and can make distributions to Beneficiaries who pay the tax on income distributed. Complex Trusts are subject to income tax at a blended rate of 24.09% on the first $12,500 of income (saving $1,614 in income taxes), and thereafter at the 37% bracket.

The two married children may each receive a $215,000 distribution from the trust and will be able to deduct 20% of $215,000 ($43,000 each) on their income tax returns, putting the income at an effective tax rate of 13.88%. This is an approximate savings of $49,691 per child as compared to if the $215,000 was taxed at the 37% bracket.

The trusts would retain $65,000 of income and also qualify for the 20% deduction. The effective rate of income tax paid by the trusts is therefore 27.12%. This is an approximate tax savings of $6,423.50 as compared to if the $65,000 was taxed at the 37% bracket.

The third child, who is single with no income, may receive $157,500 in distributions, and will qualify for the 20% deduction, putting the income at an effective tax rate of 15.57%. This is an approximate tax savings of $33,745 as compared to if the $157,500 was taxed at the 37% bracket.

The trust would retain $122,500 of income and also qualify for the 20% deduction. The effective rate of income tax paid by the trust is therefore 28.28%, with the highest marginal rate being 29.6% because of the 20% deduction.

Alternatively, the Trustee of that child's trust may want to retain $15,625 ($15,625 x 20% QBI deduction = $12,500 of taxable income), pay tax of $3,010.91 at an effective rate of 24.09%, and distribute the remaining $106,875 to the child to be taxed at the child's lower tax bracket despite the fact that the child would not qualify for the QBI deduction because his taxable income of $264,375 exceeds the $157,500 limitation.

In each of the above instances, the monies distributed to the child may be placed into an LLC managed by Dr. and Mrs. Jones but owned by the child. These monies could also be used to buy 529 college savings plans for the child or grandchildren.

If the child is under age 18, or is a full-time student between the ages of 19 and 24, then the income received from direct ownership of the stock or trust distributions will be taxed at a flat 37% rate to the extent exceeding $12,500 under the Kiddie tax rules, but will still be eligible for the 20% deduction to bring the tax rate down to 29.6%.

If the medical practice were in a partnership instead of an S Corporation, the rules would work the same.

After taking into account all of the above, the approximate tax savings would be $207,055 per year.

In addition to the above, rental operations may need to be active, as opposed to passive triple net leases in order to qualify for the deduction. Businesses and their related real estate owner entities might review what fair market value rental amounts should be to determine if rent can be increased to reduce the income of listed services or income that would be earned by a business that would not have sufficient wages or replacement property if its owners are above $157,500/$315,000 levels.

If Dr. and Mrs. Jones in the above example owned the practice building, they could also increase the rent on the real estate to fair market value and will save $3,116 per $100,000 of net rent income (after taking into account the 6.8% Florida state and county sales tax on rent) if the rental activity qualifies as a trade or business under Section 199A.

There are other planning opportunities that may be considered in addition to or in conjunction with the above.

Example – John is a lawyer who works as an employee for a law firm. Most of his work is for one client.

John receives only a salary for the law firm (as he is not an owner of the law firm), and his W-2 wages do not qualify for the deduction.

John may leave the law firm and establish an S corporation to provide legal services for the client. John's S corporation will pay him a salary, and the remaining S corporation profits that are reported as K-1 income will qualify for the 20% deduction if he and his spouse have total income of less than $315,000, which is calculated after reduction for the $24,000 standard deduction or itemized deductions if greater than the standard deduction. Additionally, John can reduce his taxable income through qualified pension plan contributions that might be made by the S corporation, work-related educational assistance, and other de minimis fringe benefits offered by the company.

Complications could arise if the John tries to classify his business as an independent contractor and simply have his former law firm hire his S corporation. Depending on the type of arrangement a firm or employer uses for those who provide services for the business, the IRS could easily re-characterize them as employees, sending their 199A planning tumbling.

While the new law is complicated, it will provide an automatic 20% deduction for many business and investment activities. However, thousands of taxpayers will discover that there were things they could have done to qualify for the deduction, only after it is too late.

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The More Things Change, the More They Stay the Same? Foreign Investments in U.S. Real Estate After the Tax Cuts and Jobs Act

by Jonathan Gopman & Paul D'Alessandro, Jr.

On December 22, 2017, President Trump signed into law what is commonly referred to as the Tax Cuts and Jobs Act (the "Act").[i] The Act represents the most comprehensive reform to U.S. tax law since 1986. In particular, the Act changed many long-standing U.S. international tax rules and principles, affecting a broad array of U.S. taxpayers with cross-border activities. However, for non-U.S. taxpayers looking to invest in U.S. real estate, the Act's changes may not be as dramatic. This newsletter will provide an overview of the traditional techniques available to foreigners[ii] who desire to invest in U.S. real estate and will then examine those techniques considering the Act's changes. While the general paradigm may not have changed entirely for foreign taxpayers, new factors must now be considered when selecting an ideal holding structure for a U.S. real estate investment.

COMMENT:

TRADITIONAL INVESTMENT STRUCTURES PRIOR TO THE ACT

Traditional planning strategies for foreigners that desire to acquire U.S. real estate involved a balancing act between income tax efficiency and estate tax protection. To achieve the desired U.S. tax objectives, foreigners and U.S. tax advisors have utilized corporate, partnership, and trust holding structures. Each structure has its own advantages and disadvantages. To understand the planning strategies behind these structures, a brief overview of the U.S. taxation of foreign-owned U.S. real estate is warranted. For purposes of the following discussion, let us assume that a foreigner owns U.S. real estate directly in his or her own name.

U.S. Taxation of Foreign-Owned Real Estate

From an income tax perspective, the United States generally taxes the income generated by real estate, although the exact manner of taxation depends on various factors. If the foreigner rents out the property, income tax is imposed on the rental income. The United States imposes a flat 30% tax on a gross basis (meaning without the allowance of any deductions) on certain investment-type income commonly referred to as fixed or

determinable annual or periodical income ("FDAPI").[iii] FDAPI includes rents. Thus, under the FDAPI rules, the foreigner would be subject to the 30% tax on the full amount of the rental income.[iv]

The United States also taxes income effectively connected with the conduct of a U.S. trade or business (commonly referred to as "effectively connected income" or "ECI"); however, such income is taxed on a net basis at the same graduated federal rates that apply to U.S. taxpayers.[v] Accordingly, if the foreigner actively engages in a rental real estate business, then such expenses (*e.g.*, maintenance and repairs, depreciation, etc.) are generally deductible in determining the amount of income subject to tax. In many cases, the availability of these deductions makes it beneficial for the foreigner to be subject to tax on the rental income under the ECI rules rather than the FDAPI rules (as the deductions allowable in the case of ECI may result in no taxable income). Whether or not a foreigner is considered to be engaged in a U.S. trade or business is a question of fact; however, an election known as the 'net election' is available, which permits foreigners to choose to subject the rental income to tax under the ECI regime.[vi]

In addition to taxing the rental income generated by the property, the United States imposes income tax when the foreigner sells the property. Under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), gain or loss from the disposition of a U.S. real property interest ("USRPI") is automatically treated as ECI and, thus, is subject to U.S. income tax on a net basis at the applicable federal rates.[vii] The gain will generally be eligible for long-term capital gains tax treatment, subject to tax up to the maximum rate of 20%, provided the individual owns the USRPI as a capital asset or a Code § 1231 asset for more than 1 year. The tax is collected through withholding, which acts as a credit toward the ultimate U.S. tax liability due.[viii]

From an estate tax perspective, if the foreigner owned the U.S. real estate at death, such foreigner's estate would be subject to tax, up to a maximum rate of 40%, on the fair market value of the property at the time of death.[ix] Unlike U.S. taxpayers who receive a significant exemption to apply against the U.S. estate tax, foreigners only receive a credit of $13,000 for U.S. estate tax purposes, which effectively exempts the first $60,000 of a foreigner's taxable estate from U.S. estate tax.[x]

Holding Structures

Corporate Structures. Having surveyed the basic U.S. taxation of foreign- owned U.S. real estate, we will review the traditional holding structures that have been used to produce favorable U.S. tax outcomes.[xi] The first is a corporate holding structure – specifically, the use of a foreign corporation to own U.S. real estate. The advantage of this structure is that, provided the appropriate corporate formalities are respected, the foreign corporation acts as a 'blocker' against the U.S. estate tax.[xii] In other words, instead of owning U.S. real estate directly, the foreigner owns shares of stock in a foreign corporation, an asset that has a foreign situs and is therefore not subject to U.S. estate tax in the case of a foreigner.[xiii]

The cost of obtaining U.S. estate tax protection, however, is unfavorable income tax treatment. By owning the real estate through a corporation, the foreigner loses the ability to receive preferential capital gains tax treatment on a sale of the property. Instead, gain from a sale (as well as any rental income from the property) is taxed at corporate rates, the top rate of which was 35% prior to 2018. Additionally, a second tax known as the "branch profits tax" could apply.[xiv] A full discussion of the branch profits tax is outside the scope of this article; however, the tax is generally imposed at a rate of 30% on the "dividend equivalent amount" of a foreign corporation engaged in a U.S. trade or business. This tax is meant to mirror the tax that a foreign corporation would pay on a dividend received were its 'branch' operated as a U.S. corporate subsidiary. When the branch profits tax applies, the top effective federal tax rate for a foreign corporation is increased to 54.5%.[xv] To avoid the application of the branch profits tax, the foreign corporation could form a U.S. corporation to own the U.S. real estate (commonly referred to as a two-tier corporate structure).[xvi]

Partnership Structures. To achieve better income tax results, foreigners could instead choose to invest through a partnership structure. Under this approach, a foreign company treated as a partnership for U.S. tax purposes would own the U.S. real estate (or, as discussed below, a foreign partnership would own a U.S. partnership that would own the property – commonly referred to as a two-tier partnership structure). Similar to the case of individual ownership, gain on the sale of U.S. real estate in the case of a partnership structure is eligible for preferential long-term capital gains tax treatment at the maximum federal rate of 20%.[xvii] The cost of obtaining preferential income tax treatment, however, is estate tax uncertainty.

The situs of a partnership interest for U.S. estate tax purposes has long remained an unsettled issue. This uncertainty involves the more basic question pervasive throughout the Code in the partnership setting – whether a partnership should be viewed under the aggregate theory (*i.e.*, a collection of underlying assets) or the entity theory (*i.e.*, an entity separate from its owners).[xviii] Under both the aggregate and entity approach, it seems clear that an interest in a foreign partnership that holds no U.S. situs assets and conducts business outside of the United States is considered to have a foreign situs for U.S. estate tax purposes. Where a partnership has some connection to the United States, however, the analysis may be obfuscated.

Under the aggregate approach, the situs of a partnership interest is based on the location of the assets of the partnership. The leading case supporting the aggregate approach is *Sanchez v. Bowers*,[xix] where the Second Circuit determined that the situs of a partnership interest was determined by the location of the underlying assets of the partnership. As commentators have noted, however, such a finding hinged on the fact that under local law, the partnership terminated at the death of the decedent.[xx] Had the partnership not terminated, the court reasoned, albeit in dicta, that the situs of the partnership interest could have been determined under a different theory (noting that a foreign entity could subject itself to U.S. taxation based on its U.S. business activities).[xxi]

Under the entity approach, it appears that the situs of a partnership is based on one of three theories: (1) the domicile of the owner of the partnership interest; (2) the location where the partnership was organized; or (3) the location of the partnership's trade or business. Case law may support option (1). In the Supreme Court decision of *Blodgett v. Silberman*,[xxii] the Court determined that a partnership interest was intangible personal property, the situs of which is determined by the domicile of its owner.[xxiii] Treasury regulations may support option (2) under a 'catch-all' rule governing the situs of intangible property. In particular, intangible personal property the written evidence of which is not treated as being the property itself is considered to be situated in the United States if it is issued by or enforceable against a resident of the United States.[xxiv]

The IRS appears to view option (3) as the correct method for determining the situs of a partnership interest when the death of the decedent does not terminate the partnership. In such circumstance, the situs of the partnership interest is determined by the place where the partnership

conducted its business.[xxv] Accordingly, under this approach, if a foreigner owned an interest in a partnership that was engaged in a U.S. real estate business, such interest would be considered U.S. situs and subject to U.S. estate tax.[xxvi]

Due to the foregoing uncertainty, a foreigner will need to tolerate a degree of estate tax exposure to achieve better income tax results with a partnership structure. A two-tier partnership structure (*i.e.*, a foreign partnership that owns a U.S. partnership that owns U.S. real estate) may commonly be used in an attempt to bolster the position that the foreign partnership interest should not be considered a U.S. situs asset for estate tax purposes. The argument in the case of a two-tier partnership structure is that the foreign partnership should be viewed as owning an intangible asset not subject to U.S. estate tax. Absent further guidance from the IRS, however, the issue remains unanswered.

Trust Structure. When properly structured and administered, a trust can provide the best of both worlds, receiving capital gains tax treatment in the case of a sale and providing U.S. estate tax protection should the property still be owned by the trust at the foreigner's death. Achieving these results comes at a price, however. Namely, the foreigner must be willing to part with control over the property for the trust to serve its intended purpose. For instance, the trust would, at a minimum, need to be irrevocable.[xxvii] Further, the trust must be carefully drafted and properly administered so as not to 'taint' the trust for U.S. estate tax purposes (*e.g.*, the foreigner cannot have the ability to 'control' the trustee, such as by retaining the unrestricted power to remove and replace the trustee).[xxviii] Many foreigners may therefore not be willing to observe all of the rules and protocols required in the trust setting, even if it meant receiving favorable income and estate tax treatment.

To view the full article, please click HERE

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The recent Tax Cut and Jobs Act increased the percentage limitation on charitable contributions of cash to 60% of Adjusted Gross Income (AGI). Previously, taxpayers were limited to 50% of AGI.

The charitable contribution limits contain many percentage limitations and differ depending on the type of property that is contributed and the type of charity that the property is contributed to. The Thursday Report has attempted to consolidate these rules in the following chart. Enjoy!

Type of Charity Property Was Contributed To			Type of Property Contributed	Limitation that Applies
"50% Charities	1	Public Charity (defined under 170(b)(1)(A)(i) - (iv), (viii) and (ix))	Cash	Charitable deduction limited to 60% of AGI
	2	Private Operating Foundation (defined under 170(b)(1)(A)(vii))	Other Property that has not appreciated in value	Charitable deduction limited to 50% of AGI
	3	Private Non-Operating "Distributing Foundation" (defined under 170(b)(1)(F)(ii) as a Foundation that distributes all of its contributions received and all of its income within three months and 15 days after the close of its tax year)	Appreciated Ordinary Income Property	1. Contribution must be reduced by amount of oridinary income that would have resulted if the property was sold by the taxpayer 2. Total Charitable Deduction limited to 50% of AGI
	4	Private Non-Operating Foundation maintaining a Common Fund (defined under 170(b)(1)(F)(iii) as a Foundation that must (1) distribute all income to one or more public charities as directed by the donor annually, and (2) distribute all corpus attributable to donor's contributions within one year of his or her death	Apprreciated Capital Gain Property	Alternative 1 - Contribution valued at FMV and limited to 30% of AGI Alternative 2 - Contribution limited to the donor's basis in the property and further limited to 50% of AGI
Semi-Public Charities, Private Foundations, and Contributions "for the use of" any Charitable Organization	1	Private Non-Operating Foundations that do not meet the requirements of 2, 3, or 4 above (Section 170(b)(1)(A)(vii), (F)(i), or (F)(iii))	Cash	Total Charitable Deduction limited to 30% of AGI
			Other Property that has not appreciated in value	Total Charitable Deduction limited to 30% of AGI
	2	Includes (1) post of organization of war veterans, (2) domestic fraternal society, order, or association, operated under the lodge system, and (3) a cemetery company owned an operated exclusively for the benefit of its members, provided that it is not operated for profit.	Appreciated Ordinary Income Property	1. Contribution must be reduced by amount of oridinary income that would have resulted if the property was sold by the taxpayer 2. Total Charitable Deduction limited to 30% of AGI
			Apprreciated Capital Gain Property	Deduction is limited to the lesser of (1) 30% of AGI or (2) 30% of AGI less contributions made to 50% charities If Capital Gain Property is contributed to a Private Non-Operating Foundation, the contribution is limited to the donor's basis in the property unless certain exceptions contained in 170(e)(5) are met.

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Are Regulation on Section 199(A) Coming in the Near Future?

by Brandon Ketron & Scotty Schenk

The Treasury Department has promised that regulations and guidance will be released by June 30, 2018. The Treasury noted in February that computational, definitional, and anti-avoidance guidance under Section 199A is on their priority guideline list.

The Treasury can issue two types of regulations: interpretative and legislative. The IRS and the Treasury will often times have to interpret ambiguous clauses of legislation passed by Congress for consistent implementation. At other times, Congress intentionally defers its law-making power to the Treasury, so that they can create regulations in areas where they have the best knowledge of what is needed.

Section 199A is ripe for interpretive regulations, and the Treasury's second quarter update hints that they will mainly be issuing interpretive guidance so that computer software can be prepared for Section 199A in the next tax season. But there are three subsections of 199A that give the Treasury the ability to prescribe legislative regulations.

1. Short Taxable Years: Subsection 199A(b)(5) gives the Treasury the ability to create regulations regarding how a taxpayer's flow through income is measured for short taxable years, where a taxpayer acquires or disposes of a major portion of a trade or business, or where a taxpayer acquires or disposes of a major portion of a separate unit of a trade or business.

2. Requiring or Restricting Allocation in Special Scenarios: Subsection 199A(f)(4) gives the Treasury the ability to create regulations necessary to carry out the special rules of subsection (f) which deals with the application of the deduction to S corporations and partnerships, trusts and estates, and trades or businesses in the territory of Puerto Rico. This subsection specifically mentions the Treasury's ability to create regulations and reporting requirements related to the determination of a partner or a shareholder's allocable share of wages paid by the flow through entity or a partner or shareholder's allocable share of basis in qualified property owned by the flow through entity, and how these rules will apply to tiered entities.

3. Manipulating Depreciable Periods & 1031 Exchanges: Subsection 199A(h) gives the Treasury the ability to create anti-abuse rules to (1) prevent the manipulation of the depreciable period of qualified property by using transactions between related parties to extend the length of time the basis in such property may be used for purposes of the wage and qualified property test, and (2) determine the unadjusted basis in qualified property acquired in like-kind exchanges (Section 1031 exchanges) or involuntary conversions.

Stayed tuned as the Thursday Report will provide updates when Regulations on Section 199A are passed, which will hopefully be sooner rather than later.

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Richard Connolly's World

Insurance advisor Richard Connolly of Ward & Connolly in Columbus, Ohio often shares pertinent articles found in well-known publications such as *The Wall Street Journal*, *Barron's*, and *The New York Times*. Each issue, we feature some of Richard's recommendations with links to the articles.

The attached article from Forbes says:

At the Forbes 400 Summit on Philanthropy in San Francisco on Wednesday, billionaire *investor and philanthropist **Warren Buffet** took to the stage to discuss his lifetime of giving.*

*His remarks contained some **valuable advice**–wisdom picked up in the course of his nearly nine decades.*

With respect to **estate planning** he advises ***"Don't Keep the Contents Of Your Will A Secret."***

To view the full article, click [HERE]()

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Humor

In the News with Ron Ross

KANYE WEST SAYS HIS MENTAL PROBLEMS ARE ACTUALLY SUPERPOWERS. THEN, HE TRIES TO STRANGLE THE INTERVIEWER WITH HIS MIND LIKE DARTH

VADER.
>>>
PRINCE HARRY AND MEGHAN MARKLE HAVE FINALLY RETURNED FROM THEIR HONEYMOON AND HAVE OPENED THEIR WEDDING GIFTS.
From Queen Elizabeth: Canada
From Harry's old girlfriend: Exploding hoverboard
From Keith Richards: A carton of Camels cigarettes
From King Salman of Saudi Arabia: Camels
From India: Nothing, because they don't love the royals since 1947
From Donald Trump: Telegram to Harry- "Congratulations on your first marriage!"
<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<
TO: SUPERHEROES
FROM: UNITED NATIONS OFFICE OF LEGAL COUNSEL

This is to inform superheroes on earth
Whether you are born human or of alien birth
That you may be liable for the damage you cause
While fighting super villains (see applicable laws)

We're thankful on occasions when you save the planet
But control your super strength, or we'll have to ban it
When enemies are vanquished by the powers you're wielding
Just once, can't you say, "oops, we destroyed all the buildings"?
With emblems on your chests, you think you impress
You'll be brought down to earth sued for emotional distress
We're a little tired of uniforms and flying men in boots
You'll find liability action is not a sexy suit

Be aware next time, you throw Thor's hammer
There must be compensation, or you'll end up in the slammer
Your destructive actions leave us crying into tissues
(You don't know 'cause you're all dealing with daddy issues)

From now on, every arrow or shield that you toss
You must pay for the damages and property loss
Tony Stark can pay in cash for the mess at the fight scene
And please keep your temper and don't turn green

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Upcoming Seminars and Webinars

Calendar of Events

EVENT	DATE/TIME	LOCATION	DESCRIPTION	REGISTRATION	FLYER
Maui Mastermind Conference	June 15-17, 2018-Our Clients attend for free!	1001 N Westshore Blvd, Tampa, FL 33607	Wealth 101 for Business Owners	Contact: Agassman@gassmanpa.com	
Leimberg Services Webinar	Thursday, June 21, 3:00 PM – 4:30 PM	Gotowebinar.com	Asset Protection Opportunities You May Not Know About	Click Here	Click Here
Leimberg Services Webinar	Thursday, June 28, 3:00 PM – 4:30 PM	Gotowebinar.com	Asset Protection for Businesses and Their Owners	Click Here	Click Here
MER Primary Care Conference	Thursday, July 5-7, 2018	Yellowstone, Wyoming	Alan will be speaking at the Medical Education Resources (MER) event	Contact: Agassman@gassmanpa.com	Click Here
Maui Mastermind Business Law Webinar	Wednesday, July 11, 1:00PM-2:00PM	Gotowebinar.com	Corporate and LLC Structuring - Business, Creditor, Tax and Family Planning Considerations	Contact: Agassman@gassmanpa.com	
Professional Acceleration Workshop	Friday, September 7, 2018. 11AM-5PM	Stetson Law School—Gulfport Campus 1401 61st Street South St. Petersburg, FL 33707	Reach Your Personal Goals, Increase Productivity and Accelerate Your Career.	Contact: Agassman@gassmanpa.com	Click Here
Florida Osteopathic Medical Association Conference	September 14-16, 2018, 7:30 am – 8:30 am	2900 Bayport Drive Tampa, Florida 33607	Mid-Year Seminar	Contact: Agassman@gassmanpa.com	
FBA Trust & Wealth Management Conference	Thursday, September 27, 2018	Sarasota		Contact: Agassman@gassmanpa.com	
Notre Dame Tax Institute	October 11-12, 2018	South Bend Indiana	Planning Under Section 199A and Associated Tax and Practical Considerations	Contact: Agassman@gassmanpa.com	
MER Primary Care Conference	November 8-11, 2018	JW Marriott Los Cabos Beach Resort & Spa	1. Lawsuits 101 2. Ten Biggest Mistakes That Physicians Make in Their Investment	Contact: Agassman@gassmanpa.com	

			and Business Planning 3. Essential Creditor Protection & Retirement Planning Considerations. 4. 50 Ways to Leave Your Overhead & Increase Personal Productivity.		
Mote Vascular Foundation Symposium	November 30 – December 2, 2018	The Westin-Sarasota, 1175 N. Gulfstream Ave, Sarasota, FL 34236		Contact: Agassman@gassmanpa.com	

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