



THE FLORES GROUP

BUSINESS & TAX ADVISORS

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Dear Clients & Friends:

The Flores Group provides international corporate and tax services to international investors and business persons. We have over 30 years of experience dealing with complex business and international structures and transactions. We have experienced bilingual Attorneys and CPA's to assist you with your legal, tax, and business projects. We are providing this Alert for your review and consideration.

TAX REFORM 2018

The U.S. Congress and Senate approved the Tax Reform as presented by the U.S. Congress and Senate Conference Committee. The Tax Bill has significant changes that affect individuals, corporations and businesses. Changes to the individual and corporate income tax rates that take effect beginning in 2018 under the major piece of tax legislation called the Tax Cuts and Jobs Act.

RATE CHANGES FOR INDIVIDUALS

Individuals are subject to income tax on "ordinary income," such as compensation, and most retirement and interest income, at increasing rates that apply to different ranges of income depending on their filing status (single; married filing jointly, including surviving spouse; married filing separately; and head of household).

Previously those rates were 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%, but beginning with the 2018 tax year and continuing through 2025, there will still be seven tax brackets for individuals, but their percentage rates will change to: 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

CAPITAL GAIN RATES

Three tax brackets previously applied to net capital gains, including certain kinds of dividends, of individuals and other non-corporate taxpayers: 0% for net capital gain that would be taxed at the 10% or 15% rate if it were ordinary income; 15% for gain that would be taxed above 15% and below 39.6% if it were ordinary income, or 20% for gain that would be taxed at the 39.6% ordinary income rate.

The Act, generally, keeps the existing rates and breakpoints on net capital gains and qualified dividends. For 2018, the 15% breakpoint is: \$77,200 for joint returns and surviving spouses (half this amount

for married taxpayers filing separately), \$51,700 for heads of household, and \$38,600 for other unmarried individuals. The 20% breakpoint is \$479,000 for joint returns and surviving spouses (half this amount for married taxpayers filing separately), \$452,400 for heads of household, and \$425,800 for any other individual (other than an estate or trust).

Important: These new individual income tax rates will not affect your tax on the return you will soon file for 2017, however they will almost immediately affect the amount of your wage withholding and the amount, if any, of estimated tax that you may need to pay.

A related change is that the future annual indexing of the rate brackets (and many other tax amounts) for inflation, which helps to prevent "bracket creep" and the erosion of the value of a variety of deductions and credits due solely to inflation, will be done in a way that generally will recognize less inflation than the current method does. While it won't be very recognizable immediately, over the years this will push some additional income into higher brackets and reduce the value of many tax breaks.

CORPORATE INCOME TAX RATE DROP

Previously, C corporations were subject to graduated tax rates of 15% for taxable income up to \$50,000, 25% (over \$50,000 to \$75,000), 34% (over \$75,000 to \$10,000,000), and 35% (over \$10,000,000). Personal service corporations pay tax on their entire taxable income at the rate of 35%. (The benefit of lower rate brackets was phased out at higher income levels.)

Beginning with the 2018 tax year, the Act makes the corporate tax rate a flat 21%. It also eliminates the corporate alternative minimum tax.

CONCLUSION

The Flores Group would be very pleased to help analyze your tax implications. We hope this information is helpful in analyzing your legal and tax obligations in Texas and the USA. The material is meant as a general discussion and not intended to be specific legal or tax advice. You should consult with your legal or tax advisors for your specific situation.

SOURCE: THOMSON REUTERS/TAX & ACCOUNTING

This information is a presentation of the general rules and should not be used or relied upon for any particular investment or transaction. We recommend you consult your tax attorney or advisor for your specific situation. If you would like more information on these matters we would be glad to visit with you.

As required by United States Treasury Regulations, you should be aware that this communication is not intended or written by the sender to be used, and it cannot be used, by any recipient for the purpose of avoiding penalties that may be imposed on the recipient under United States federal tax

SUBJECT: Tax Reform 2018 in the U.S. - Trump

laws.

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