



Tax Cuts and Jobs Act & the RHO Tax Credit Program

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Key Differences for 2018

The Tax Cuts and Jobs Act of 2017 makes the following modifications, which are expected to impact the tax effects of the Rural Hospital Tax Credit Program:

- Standard deduction is increased to \$24,000 MFJ and \$13,000 Single vs \$12,700 and \$6,350
- State and Local Tax (SALT) deduction is limited to \$10,000
- Charitable contributions may be deducted up to 60% of adjusted gross income (compared to 50%)
- Itemized deductions are no longer subject to the Pease Limitation

Key Differences for 2018

The Tax Cuts and Jobs Act of 2017 makes the following modifications, which are expected to impact the tax effects of the Rural Hospital Tax Credit Program:

- Alternative Minimum Tax has less applicability than before, with a higher exemption and an increased phase out of the exemption
- Owners of pass-through entities may receive a deduction of up to 20% of their pass-through income
- C-corporation tax rates decreased from a top rate of 35% to a flat rate of 21%

Examples

The following examples are intended to illustrate the tax effects of participation in the Rural Hospital Tax Credit Program, under the 2018 income tax laws, based on guidance issued as of January 31, 2018. These examples are not intended to be construed as tax advice or as a tax opinion. The figures in the examples are rounded to the nearest \$1,000 to simplify the illustrations. To determine the impacts of participation in the Rural Hospital Tax Program on a specific fact set, you should consult your tax advisor.

Standard Deduction Example – Facts

Joe and Mary are a married couple with two dependents and the following income and deduction items:

- Salaries of \$200,000
- State income taxes of \$11,000
- Property taxes of \$7,000 (\$4,000 primary and \$3,000 condo for college student)
- Mortgage interest of \$10,000

With the SALT deduction limitation, Joe and Mary have \$20,000 of eligible deductions, which is less than the standard deduction. Therefore, they opt of the standard deduction of \$24,000. This means they must also use the Georgia standard deduction of \$10,400.

Standard Deduction Example – Calculations

for illustrative purposes only

	No QRHOEC	With QRHOEC
Adjusted Gross Income	200,000	200,000
Charitable Contributions	0	(11,000)
State Income Taxes	(11,000)	0
Property Taxes	(7,000)	(7,000)
Mortgage Interest	(10,000)	(10,000)
Non-Deductible SALT (Excess over \$10,000)	8,000	0
Standard Deduction Adjustment (Federal)	(4,000)	
Federal Taxable Income	176,000	172,000
Federal Income Tax	31,000	30,000
Georgia Income Tax	11,000	0
Combined Tax Liability	42,000	30,000
Change in Combined Tax Liability	(12,000)	
Contribution to Rural Hospital	<u>11,112</u>	
Net Cost/(Benefit) to Donor	<u>(888)</u>	

\$300,000 Income Example – Facts

Joe and Mary are a married couple with two dependents and the following income and deduction items:

- Salaries of \$300,000
- Charitable contributions of \$10,000
- State income taxes of \$15,000
- Property taxes of \$5,000
- Mortgage interest of \$10,000

\$300,000 Income Example – Calculations

for illustrative purposes only

	No QRHOEC	With QRHOEC
Adjusted Gross Income	300,000	300,000
Charitable Contributions	(10,000)	(21,000)
State Income Taxes	(15,000)	(5,000)
Property Taxes	(5,000)	(5,000)
Mortgage Interest	(10,000)	(10,000)
Non-Deductible SALT (Excess over \$10,000)	10,000	0
Federal Taxable Income	270,000	259,000
Federal Income Tax	53,000	51,000
Medicare Surtax	0	0
Georgia Income Tax	15,000	5,000
Combined Tax Liability	68,000	56,000
Change in Combined Tax Liability	(12,000)	
Contribution to Rural Hospital	<u>11,112</u>	
Net Cost/(Benefit) to Donor	<u>(888)</u>	

\$400,000 Income Example – Facts

Joe and Mary are a married couple with two dependents and the following income and deduction items:

- Salaries of \$400,000
- Charitable contributions of \$5,000
- State income taxes of \$22,000
- Property taxes of \$5,000
- Mortgage interest of \$12,000

\$400,000 Income Example – Calculations

for illustrative purposes only

	No QRHOEC	With QRHOEC
Adjusted Gross Income	400,000	400,000
Charitable Contributions	(5,000)	(16,000)
State Income Taxes	(22,000)	(12,000)
Property Taxes	(5,000)	(5,000)
Mortgage Interest	(12,000)	(12,000)
Non-Deductible SALT (Excess over \$10,000)	17,000	7,000
Federal Taxable Income	373,000	362,000
Federal Income Tax	83,000	79,000
Medicare Surtax	1,000	1,000
Georgia Income Tax	22,000	12,000
Combined Tax Liability	106,000	92,000
Change in Combined Tax Liability	(14,000)	
Contribution to Rural Hospital	<u>11,112</u>	
Net Cost/(Benefit) to Donor	<u>(2,888)</u>	



GHA Center for Rural Health Meeting

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