

## WHAT'S ON OUR MINDS AS 2018 ENDS...



“I’m helping my pass-through clients maximize the qualified business income deduction of new IRC §199A. While my focus is on planning for real estate businesses, these provisions are broadly applicable to many industries. All pass-through entities should be preparing to help their owners take this deduction by anticipating the related Schedule K-1 reporting. A 20% deduction is a tremendous benefit! But requirements are complex, and for many businesses, they should be addressed right away.”

**Trent Baeckl, Shareholder**

“I am expecting to work with my clients who have less than \$25M in gross receipts to simplify their accounting methods. These taxpayers are now eligible to use the cash method and can also accelerate inventory-related tax deductions while streamlining the related accounting. Although some may choose to remain accrual basis for tax purposes, most of my clients with significant inventory costs, and especially those who produce their own inventory, have the potential to reap a big short-term tax benefit from TCJA with accounting method changes.”

**Nick Prelog, Shareholder**



“My year-end planning for individuals is zeroing in on two things: (1) Helping charitably-minded clients with low-balance or no home mortgage maximize the tax value of their donations by bunching charitable giving to Donor Advised Funds. This is a reasonably simple way for taxpayers in the right circumstances to get some free tax benefits out of the increased standard deduction. (2) Pondering whether it makes sense to take advantage of the increased estate and gift exemption before it reverts back to original levels in 2026. Lifetime gifting can eliminate estate tax on future appreciation as well as permanently avoid Oregon and Washington estate tax, but it is important to weigh the cost of losing any step-up in basis when considering this opportunity.”

**Kim Spaulding, Shareholder**

“As 2018 closes, my focus is on how the US tax landscape has changed for US individuals individually or collectively owning controlling interests in foreign corporations – even those who own their interests indirectly, through partnerships or S corporations. We expect these owners to pay significantly more US tax in 2018 and beyond unless proper planning is in place. On the other hand, the new law has brought another change that is favorable to US C corporations that have significant export sales. Such corporations can potentially enjoy a significant new deduction, in addition to the tax rate reduction to 21%.”

**Masataka Yamaguchi, Senior Manager**



“Much of my practice is focused in the partnership arena, so this year I’ve been advising my clients on the significance of new partnership audit rules. These regulations didn’t make it into the news like the tax act, but they have significant implications for partnerships and LLCs. Among other consequences, an unfavorable audit result in 2018 or later might have unexpected economic outcomes for the owners. Many partnerships will need to amend their agreements to prevent these unhappy surprises. Most do not realize that March 15, 2019, is the deadline for this, so I’ve been recommending they talk with legal counsel before year-end to queue up the needed work.”

**Celeste Ames Duncan, Senior Manager**

“I am seeing tremendous interest in Qualified Opportunity Funds (QOFs). This compelling new tax tool can defer and even eliminate tax on gains while spurring development in economically distressed communities. Timing is of the essence to maximize this tax opportunity, as the investment into the QOF needs to be made within 180 days following the gain. I’ve been working with clients and their attorneys to form funds, make elections, and to assess types of Opportunity Zone investments that will be qualified.”

**Kimberly Woodside, Shareholder**

