Tax Cuts and Jobs Act of 2017

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### Tax Cut and Jobs Act (TCJA): key provisions and timing

<table>
<thead>
<tr>
<th>Corporate tax provision</th>
<th>Effective date</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower corporate tax rate</td>
<td>1/1/18</td>
<td>Permanent</td>
</tr>
<tr>
<td>Expensing of capital equipment</td>
<td>9/28/17</td>
<td>Temporary; 100% expensing for 5 years, phased-out by 2026</td>
</tr>
<tr>
<td>Cap on business interest deduction</td>
<td>1/1/18</td>
<td>Permanent; EBITDA test for 2018-2021, stricter EBIT test thereafter</td>
</tr>
<tr>
<td>Territoriality</td>
<td>1/1/18</td>
<td>Permanent</td>
</tr>
<tr>
<td>Repatriation</td>
<td>12/31/17</td>
<td>One time tax (8% or 15.5%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual tax provision</th>
<th>Effective date</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual tax rates</td>
<td>1/1/18</td>
<td>Sunsets (12/31/25)</td>
</tr>
<tr>
<td>Higher standard deduction</td>
<td>1/1/18</td>
<td>Sunsets (12/31/25)</td>
</tr>
<tr>
<td>Itemized deduction limits</td>
<td>1/1/18</td>
<td>Sunsets (12/31/25)</td>
</tr>
<tr>
<td>Lower rate on pass through entities</td>
<td>1/1/18</td>
<td>Sunsets (12/31/25)</td>
</tr>
<tr>
<td>Doubling of gift/estate/GST tax exemptions</td>
<td>1/1/18</td>
<td>Sunsets (12/31/25)</td>
</tr>
</tbody>
</table>
Today’s agenda

• What it means for the economy

• What it means for the stock market

• What it means for you
What happened to all the fiscal conservatives in the GOP? All prior tax cuts took place when debt/GDP ratios were less than 40%.

Prior tax cuts coincided with much lower levels of debt
Federal debt as a % of GDP

Will tax cuts “pay for themselves” with respect to debt and deficits?
Probably not. See “Tax Cuts Don’t Pay for Themselves”, October 4, 2017, and “Can Tax Reform Generate 0.4% Additional Growth?”, November 27, 2017, Committee for a Responsible Federal Budget.

Source: Congressional Budget Office, U.S. Treasury, CRFB. TCJA projections based on Senate bill as of November 14, 2017.
As a reminder, the budget deficit is already growing again, which is unusual for this point in the business cycle (when it is usually improving).

An unusual late-cycle decline in the US federal budget
US$ billion, rolling 12 months

TCJA is one of the larger tax cuts since 1969, with the exception of 1981; however, some benefits fade over time while others sunset.

**Tax Cuts as a share of GDP, 1945 - 2019E**

% of US nominal GDP

TCJA sprung from desire to cut corporate taxes and improve competitiveness, but individual tax cuts are now 3x as large. Tail wags dog.

### Tax reform for individuals

**Estimated revenue effects of TCJA (2018-2027), US$ billions**

- Net individual tax cut
- All other individual provisions
- Personal exemption repeal
- Repeal of itemized deductions
- Lower pass through income
- Increase in std deduction
- New brackets
- AMT modification
- Increased child tax credit

Source: Joint Committee on Taxation (based on Conference Agreement). 12/18/17.

### Tax reform for businesses

**Estimated revenue effects of TCJA (2018-2027), US$ billions**

- Net business tax cut
- All other domestic provisions
- Net international provisions
- Interest deduction limit
- 100% bonus depreciation
- 21% corporate rate

Source: Joint Committee on Taxation (based on Conference Agreement). 12/18/17.
In dollar terms, TCJA tax cuts are primarily channeled to taxpayers with incomes between $100k and $500k.

Note: the distributional effects of the bill excluding the elimination of the Individual Mandate Penalty are not yet available. In the chart on the right, we show a CBO estimate of such effects from late November. The increases in Federal taxes shown in the JCT chart for those earning less than $50k from 2021 to 2025 reflect the impact of lost ACA subsidies and credits, rather than changes in tax rates, which don't sunset until the end of 2025.
Larger percentage increases in after-tax income accrue to the top quintile and decile of taxpayers

**Distribution of federal tax change by income quintile**
Change in after-tax income, 2018

While TCJA tax cut is sizable, TCJA beneficiaries have lower propensities to spend (i.e., low fiscal multipliers)

Ranges for US fiscal multipliers

Since the US is close to full employment and since the output gap has disappeared, there are no *cyclical* reasons for a tax cut.

**US unemployment rate**

% , seasonally adjusted


**US "output gap" (a proxy for capacity constraints)**

%  

Highest fiscal multipliers are linked to government spending rather than tax cuts, and peak during or right after recessions.

Historical multiplier for total government spending

Given corporate and high income beneficiaries of the bill, and ample current liquidity, we don’t envision much of an immediate boost to GDP from TCJA

- We envision higher US GDP growth of ~3% in 2018, but are not making major changes to growth, capital spending or employment forecasts due to TCJA
- While the TCJA’s territorial system is more restrictive than in other countries, its anti-abuse provisions have been watered down
  - Minimum tax on foreign profits only applies to “excess profits” over “routine levels”, and allow aggregation across jurisdictions*
- Larger projected Federal budget deficits and modestly higher interest rates in the long run
- Increased potential for interstate migration, and more pressure on “blue state” spending and unfunded pensions

* “Republican tax bills have too many loopholes for sending jobs overseas”, TheHill.com, Pozen (MIT), Rosenthal (Tax Policy Center), 11/29/2017
No tax states are already experiencing faster population, employment and income growth than high tax states; TCJA may amplify these trends

The nine states with the lowest and highest marginal personal income tax rates (10 year economic performance)

<table>
<thead>
<tr>
<th>Average of 9 zero earned income tax rate states</th>
<th>1/1/2016 Top marginal rate</th>
<th>Growth 2006-2016</th>
<th>Population</th>
<th>Employment</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of 9 highest earned income tax rate states</td>
<td>0.0%</td>
<td>11.9%</td>
<td>7.1%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Average of 9 highest earned income tax rate states</td>
<td>10.1%</td>
<td>5.8%</td>
<td>4.8%</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>


Note: In NY, CA, NJ, and CT, high earners with incomes over $500k account for 30%-35% of state tax revenue
States with the largest unfunded pension and retiree healthcare obligations are often “blue” high-tax states, but there are exceptions

12 states with the highest ratio of unfunded obligations to income
% of state revenues required to pay interest on net direct debt, state share of unfunded pension and healthcare liabilities, and defined contribution plan payments

- IL: 50.0%
- NJ: 45.0%
- CT: 40.0%
- KY: 35.0%
- HI: 30.0%
- ME: 25.0%
- MD: 20.0%
- TX: 15.0%
- MA: 10.0%
- DE: 5.0%
- CA: 0.0%
- PA: 0.0%

State tax rate
- 5.0% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 9.0% IL
- 7.0% CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 6.0% CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 8.3% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 7.2% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 5.8% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 0.0% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 5.1% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 6.6% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 13.3% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 3.1% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA

Clinton vote share
- 55% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 55% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 55% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 33% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 62% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 62% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 62% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 62% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 48% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 43% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 60% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 53% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 60% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA
- 47% IL, NJ, CT, KY, HI, ME, MD, TX, MA, DE, CA, PA


Link to our 2017 muni paper
“The ARC & the Covenants”
The incentive to move is based on the effective cost of state and local income and property taxes, which is reduced when they can be deducted against Federal taxes.

Under current law, the incentive reflects the interplay between the respective entry and exit points for the AMT in both states, and marginal tax rates.

Under the TCJA, the incentive is simpler, since it reflects the cap on deductibility across all ranges of income.

The gap between the two series shows the extent to which the TCJA increases incentives to move.

Analysis assumes a move from a high tax state (10% state/local tax, 2% property tax) to low tax state (0% state/local tax, 1% property tax)
TCJA increases incentives to move for some individuals, but not others

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Fewer political tailwinds for the GOP than you might think, given the (mis)-perception by many poll respondents that their taxes will be going up

**Expected change in tax liabilities resulting from reform**

- **JCT estimate, 2019-2021 average**
- **Republican poll respondents**
- **Democratic poll respondents**

Sources: JCT (based on Senate bill), Politico (based on House). Nov 2017.

**Tax winners and losers under TCJA in 2018**, Percentage of family units

- **Tax increase**
- **Tax cut**

Today’s agenda

• What it means for the economy

• **What it means for the stock market**

• What it means for you
US equity markets are now pricing in benefits from tax reform. Our sense is that 50%-60% is priced in as of today’s call.

**Markets starting to price in corporate tax reform**

Outperformance of tax cut winners vs losers, 11/8/2016 = 100

TCJA likely to result in 5%-8% EPS growth, since more of the Senate version prevailed during reconciliation.

<table>
<thead>
<tr>
<th></th>
<th>HOUSE plan</th>
<th>SENATE plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21% rate</td>
<td>21% rate</td>
</tr>
<tr>
<td>A S&amp;P 500 Consensus 2018 EPS</td>
<td>$146.00</td>
<td>$146.00</td>
</tr>
<tr>
<td>B + Reduction in corporate tax rate</td>
<td>+ $12.90</td>
<td>+ $12.90</td>
</tr>
<tr>
<td>C - Limiting interest expense deductibility</td>
<td>- $1.00</td>
<td>- $2.80</td>
</tr>
<tr>
<td>D - One-time repatriation tax on foreign earnings</td>
<td>- $3.80</td>
<td>- $4.00</td>
</tr>
<tr>
<td>E + Cash repatriation induced buybacks</td>
<td>+ $2.50</td>
<td>+ $2.40</td>
</tr>
<tr>
<td><strong>F Total benefit from tax reform (B + C + D + E)</strong></td>
<td><strong>+ $10.60</strong></td>
<td><strong>+ $8.50</strong></td>
</tr>
<tr>
<td><strong>Upside to consensus 2018 EPS</strong></td>
<td><strong>+ 7.3%</strong></td>
<td><strong>+ 5.8%</strong></td>
</tr>
<tr>
<td>G S&amp;P 500 EPS impact (A + F)</td>
<td>$156.60</td>
<td>$154.50</td>
</tr>
<tr>
<td>H + Immediate expensing of capex (CF benefit)</td>
<td>+ $3.80</td>
<td>+ $3.80</td>
</tr>
<tr>
<td>I Total cash flow benefit (G + H)</td>
<td><strong>$160.40</strong></td>
<td><strong>$158.30</strong></td>
</tr>
</tbody>
</table>


The 5%-8% increase from the TCJA would be in addition to the 8%-10% increase in US EPS growth that we already project for 2018.
EPS gains from the tax bill are focused on domestically oriented companies with large capital spending needs and normal levels of leverage.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Reported Domestic Revenue</th>
<th>Lower US Corporate Tax Rate</th>
<th>Move to Territorial Taxation</th>
<th>Expense Capex vs. Depreciation</th>
<th>Lose Interest Expense Deductibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>97%</td>
<td>↑↑↑↑</td>
<td>NM</td>
<td>↑↑</td>
<td>↓↓</td>
</tr>
<tr>
<td>Financials</td>
<td>77%</td>
<td>↑↑↑↑</td>
<td>↑</td>
<td>NM</td>
<td>NM*</td>
</tr>
<tr>
<td>Discretionary</td>
<td>76%</td>
<td>↑↑↑↑</td>
<td>↑</td>
<td>NM</td>
<td>↓</td>
</tr>
<tr>
<td>Health Care</td>
<td>82%</td>
<td>↑↑</td>
<td>↑</td>
<td>↑</td>
<td>↓</td>
</tr>
<tr>
<td>Staples</td>
<td>74%</td>
<td>↑↑</td>
<td>↑</td>
<td>NM</td>
<td>↓</td>
</tr>
<tr>
<td>Industrials</td>
<td>63%</td>
<td>↑↑</td>
<td>↑</td>
<td>↑</td>
<td>↓</td>
</tr>
<tr>
<td>Technology</td>
<td>40%</td>
<td>↑</td>
<td>↑↑</td>
<td>NM</td>
<td>↓</td>
</tr>
<tr>
<td>Energy</td>
<td>58%</td>
<td>↑</td>
<td>↑↑</td>
<td>↑↑</td>
<td>↓</td>
</tr>
<tr>
<td>Materials</td>
<td>50%</td>
<td>↑</td>
<td>↑↑</td>
<td>↑↑</td>
<td>↓</td>
</tr>
<tr>
<td><strong>S&amp;P 500</strong></td>
<td><strong>71%</strong></td>
<td><strong>↑↑</strong></td>
<td><strong>↑</strong></td>
<td><strong>↑↑</strong></td>
<td><strong>↓</strong></td>
</tr>
</tbody>
</table>

The impact of the interest/EBITDA rule is not projected to have a large impact on equity markets; modestly higher impact on HY market.

**Percentage of market affected by 30% interest/EBITDA rule on interest deductibility, % of total index (market value)**

- **Interest/EBITDA: Greater than 70%**
- **Interest/EBITDA: 50% to 70%**
- **Interest/EBITDA: 30% to 50%**

Source: Bloomberg, JPMAM. 2017. *Universe analyzed excludes financial & utility sectors, companies with negative EBIT, and companies with no available EBIT or interest expense data. High Yield analysis applied to 67% of High Yield Index which is publicly traded.*

**Decline in Free Cash Flow due to impact of 30% interest/EBITDA rule on interest deductibility, % of total index (market value)**

- **Free cash flow decline: Greater than 20%**
- **Free cash flow decline: 10% to 20%**
- **Free cash flow decline: 0 to 10%**

Source: Bloomberg, JPMAM. 2017. Universe analyzed excludes financial & utility sectors, companies with negative EBIT, and companies with no available EBIT or interest expense data. High Yield analysis applied to 67% of High Yield index which is publicly traded.
The bill will eventually limit the deductibility of interest above 30% of EBIT. Much larger impact on High Yield than S&P 500 or Russell 2000.

Percentage of market affected by 30% interest / EBIT cap on interest deductibility, % of total index (market value)

- Interest/EBIT: Greater than 70%
- Interest/EBIT: 50% to 70%
- Interest/EBIT: 30% to 50%
- Interest/EBIT: 30% to 50%

Source: Bloomberg, JPMAM. 2017. *Universe analyzed excludes financial & utility sectors, companies with negative EBIT, and companies with no available EBIT or interest expense data. High Yield analysis applied to 67% of High Yield Index which is publicly traded.
Analyzing the impact on free cash flow from the new rule
Much bigger negative impact on HY market than the S&P or Russell 2000

Risks would be magnified in the next downturn:
- Interest/EBIT ratios will rise
- Tax shield is reduced
- Tax payments rise
- Free cash flow falls further

Risks from linking interest deductibility to market variables:
- Glover, Gomes and Yarons, "Corporate Taxes, Leverage, And Business Cycles" (St. Louis Fed 2011): limiting interest deductibility increases default frequency and average credit spreads

Decline in Free Cash Flow due to impact of 30% interest / EBIT cap on interest deductibility, % of total index (market value)

- Free cash flow decline: Greater than 20%
- Free cash flow decline: 10% to 20%
- Free cash flow decline: 0 to 10%

Source: Bloomberg, JPMAM. 2017. Universe analyzed excludes financial & utility sectors, companies with negative EBIT, and companies with no available EBIT or interest expense data. High Yield analysis applied to 67% of High Yield index which is publicly traded.
TCJA reduces marginal effective tax rates on new projects, improving US competitiveness

Corporate tax rate
% combined central-sub-national corporate tax rates

Marginal effective tax rate
% effective tax rate on new investment in manufacturing & services

Source: University of Calgary School of Public Policy, Mintz & Bazel. Corporate tax rates are GDP weighted. December 17, 2017.
Competitiveness improvements by sector

Marginal effective tax rates by sector

Given lower tax rates and a 100% dividends received deduction, TCJA would reduce incentives for US companies to invert overseas.

**Tax rates and inversions out of the US**

<table>
<thead>
<tr>
<th>Corporate income tax rate, %</th>
<th>Number of US inversions</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>12</td>
</tr>
<tr>
<td>50%</td>
<td>10</td>
</tr>
<tr>
<td>45%</td>
<td>8</td>
</tr>
<tr>
<td>40%</td>
<td>6</td>
</tr>
<tr>
<td>35%</td>
<td>4</td>
</tr>
<tr>
<td>30%</td>
<td>2</td>
</tr>
<tr>
<td>25%</td>
<td>1</td>
</tr>
<tr>
<td>20%</td>
<td>0</td>
</tr>
<tr>
<td>15%</td>
<td>0</td>
</tr>
<tr>
<td>10%</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Mercatus Center at George Mason University. 2016.
Note: Pending inversions shown for 2016.
What will companies do with repatriated cash?

How would the proceeds of repatriated earnings be used?
# of companies (N = 302)

- Pay down debt: 60
- Share repurchases: 40
- M&A: 35
- Capex: 30
- Dividends: 20
- Fund pension: 10
- Other: 10

Debt paydown is a popular answer, since rising foreign cash balances are often accompanied by rising debt.

Since most companies are not cash constrained and credit markets are liquid, TCJA impact on capital spending is likely to be modest

- Debt paydown, stock buybacks and dividends likely to benefit. After 2004 repatriation holiday, a similar time of liquid credit and ample free cash flow, buybacks rose while hiring, R&D and capital spending were mostly unchanged.
- Accelerated depreciation already available at a time of low interest rates, mitigating benefit of immediate expensing.
- While the TCJA impact on capex may be modest, capex surveys are already elevated based on global business cycle improvement and positive response to deregulatory efforts.

**Repatriation holiday boosted buybacks, not jobs or R&D**

Average increase in payrolls, R&D and buybacks for top 15 repatriating US multinational companies, 2005 to 2007.

**Rising capital spending plans**

% of respondents planning to increase capital expenditures.

Increased stock buybacks would be taking place at a time when growth in net equity supply is already low

**Global net equity supply**
US$ bn per year, based on expansion of MSCI All country world

Today’s agenda

• What it means for the economy
• What it means for the stock market
• **What it means for you**
Key provisions: individual tax rates

### Changes

- Modest reductions to some tax brackets
- Limitations on state income tax, property tax and mortgage deductions
- Changes in AMT rules reducing its impact
- Lower tax rate on “pass through” income
- Increased exclusions for estate/GST/gift taxes
- Like-kind exchanges limited to real property

### Marginal tax rates and brackets

- **Current law brackets**
- **TCJA brackets**

**AMT changes**
- AMT exemption increased from $86k to $109k
- AMT exemption phase-out level increased from $164k to $1,000,000

Key provisions: individual tax rates

<table>
<thead>
<tr>
<th>No Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital gains and qualified dividend taxation</td>
</tr>
<tr>
<td>ACA taxes on earned and unearned income</td>
</tr>
<tr>
<td>Traditional municipal bond exemption</td>
</tr>
<tr>
<td>Charitable contribution and business/investment interest deductions</td>
</tr>
<tr>
<td>401k plan and IRA contribution limits</td>
</tr>
<tr>
<td>Non qualified deferred compensation</td>
</tr>
</tbody>
</table>
Our interactive TCJA website

The Tax Cuts and Jobs Act (TCJA) is projected to reduce individual tax payments by close to $1 trillion over the next 10 years. However, the impact on individual taxpayers will differ and depends on their income and deduction characteristics. The bill entails changes to marginal tax rates, tax bracket levels, itemized deductions, the child tax credit and the Alternative Minimum Tax, and creates a new approach to pass through entity taxation. We developed this interactive website to give you some sense for how the changes might impact your combined Federal and state effective income tax rate.

Simply choose from among the taxpayer types and whether your itemized deductions are high or low. If you are a pass through entity owner or investor, you will need to choose whether the pass through entity has high or low wage intensity. The chart will then display effective tax rates under the current system and under the TCJA across a range of total income. Click on the "View" links for more information on the menu selections.

<table>
<thead>
<tr>
<th>Taxpayer Type</th>
<th>Deduction Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>View income distribution by taxpayer type</td>
<td>View itemized deduction ranges</td>
</tr>
</tbody>
</table>
Our interactive TCJA website

While most taxpayers will see their effective tax rates decline in 2018, the details will depend on your deduction and income characteristics

• Example: for NY residents, there is a complex interplay among lower deductions, lower tax rates, extended brackets and changing AMT rules

We have created an interactive website to provide examples of the TCJA impact on different taxpayer types

• 20 different taxpayer scenarios included
• Click here to visit our interactive website
Using our interactive effective tax rate website

- Step 1: select from 9 taxpayer types
  - Salaried worker, hedge fund principal, retiree, private equity principal, pass through owner or investor, etc whose income characteristics differ (wages, unearned ordinary income, capital gains, pass through income, etc).

- Step 2: indicate high or low deductions
  - Applies to state/local tax rate, property tax rate, charitable contribution rate and home price to income ratio

- Step 3: for pass through entity taxpayers, specify the degree of wage intensity of the pass through business (affects phase-out of the pass through deduction)

- Charts compare Current vs TCJA effective tax rates, and assess incentives to move under the TCJA
For taxpayers with low deductions whose income is primarily wages and salaries, the benefits of TCJA are consistent across income levels.

Some sample charts

For taxpayers with high deductions whose income is primarily wages/salaries:
- At the lowest incomes, there’s a benefit from increased child tax credits, lower tax rates and a higher standard deduction
- At $150k in income, lost deductions more than offset the rate cut
- From $250k to $700k, the taxpayer would have been in the AMT under current law and lost their deductions anyway, and now benefits from relaxed AMT rules and lower tax rates
- Above $750k, the net impact of changing AMT rules, lost deductions and lower tax rates is negative

For taxpayers with high deductions whose income is heavily composed of long term gains and qualified dividends, the taxpayer benefits from relaxed AMT rules and lower tax rates until $1mm in income. From $1mm to $4mm in income, the taxpayer is in the AMT under TCJA, just as under current law, and loses their deductions in both cases.
Some sample charts

Pass through entity: investor
High deductions, Low pass-through wage intensity
Effective Federal and state tax rate, 2018

For taxpayers with high deductions whose income is primarily pass through entity income, but when the entity is deemed to be either related to certain “professional services”, or when the wage intensity of the pass through entity is low, or when it lacks sufficient depreciable assets, the pass through deduction benefit phases out above $315k in taxable income and disappears by $415k.

Planning for 2017-2018 and beyond – Consider:

• By year-end:
  • Paying 2017 state and local income taxes due (but don’t tip into AMT)
  • Paying property taxes (with an invoice from the tax assessor)
  • Exercising in-the-money options or realizing other discretionary ordinary income (mostly for those in AMT)
  • Making or delaying donations to charity (depending on, e.g., expected 2017/18 marginal rates, character of ‘17/’18 income, patterns of giving, residence, effect of repealed Pease limitation)

• Early in 2018:
  • Using gift tax exclusion (increase from $5.49MM to $11.2MM) via gifts to or in trust for family
  • Reviewing estate plans and life insurance coverage (for, e.g., liquidity for estate taxes)
  • Reviewing investments in light of changed tax treatment of some assets (e.g., REITs, MLPs)
  • If possible, reorganizing closely-held businesses

P.S. Don’t worry about the proposed FIFO rule – it didn’t make the cut
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