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FINANCIAL GROUP

Certified Public Accountants & Registered Investment Advisors

234 Kinderkamack Road
Oradell, New Jersey 07649
Phone: 201-262-1040
www.tfgllc.com

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2017 Tax Reform

Trump's first budget would restrict eligibility for Earned Income Tax Credit and Child Tax Credit

The President's tax reform objectives for American families include:

- Lowering individual income tax rates
- Expanding the standard deduction and helping families struggling with child and dependent care expenses
- Protecting home ownership, charitable giving and retirement saving
- Ending the alternative minimum tax
- Repealing the 3.8% net investment income tax
- Repealing the estate tax

The tax reform objectives for businesses include:

- Reducing the business tax rate
- Eliminating most special interest tax breaks
- Transitioning to a territorial system of taxation, including a one-time repatriation tax on already accumulated overseas income

Tightened eligibility for EITC and CTC

- The budget proposal would require taxpayers to provide a Social Security Number (SSN), this requirement is intended to limit these credits to those who are authorized to work in the U.S.

- The budget projects that adding this requirement would result in approximately \$40.4 billion in reduced spending over a 10-year period

IRS funding

With respect to IRS, the budget stated that it would "preserve key operations" to ensure IRS's continued efforts to "combat identity theft, prevent fraud, and reduce the deficit through the effective enforcement and administration of tax laws," but would also "[divert] resources from antiquated operations that are still reliant on paper-based review in the era of electronic tax filing would achieve significant savings."

What's next?

Whether any or all of the President's budget proposals become law is uncertain at this point. The process for passing a budget generally begins with the President submitting a comprehensive detailed budget request to Congress. Then, House and Senate Budget Committees typically hold hearings on the President's budget request, inviting White House officials to testify (which the chairmen of the respective Committees have decided not to do this year), then pass their own respective budgets, which are in turn negotiated by the full House and Senate before passage of a single congressional budget resolution. The budget resolution is then the basis of annual appropriation bills.

We will keep you posted!

If you should have any questions about how these rules apply to your particular situation, contact our office so we can assist you.

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Traphagen Financial Group, 234 Kinderkamack Road, Oradell, NJ 07649

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