

Sun City Summerlin Computer Club

**Internet Investing
SIG**

Tom Burt

December 21, 2017

SIG Meeting Schedule

- The Internet Investing SIG meets every other “even” month on the third Thursday morning at **9:30 AM**.
- The next six meeting dates will be:
 - *February 15, 2018*
 - *April 19, 2018*
 - *June 28, 2018*
 - *August 16, 2018*
 - *October 18, 2018*
 - *December 20, 2018*

Fundamentals Review

- **Dollar has strengthened a bit against foreign currencies.**
 - *Oil priced in dollars (for now) – around \$57.30 / barrel.*
 - *Stock indexes at/near record highs – still very topky*
 - *Dow 30: 24,666, S&P 500: 2677, Nasdaq: 6936*
 - *S&P PE ratio is 24.9 vs 16.9 long term historical average*
 - *Defense stocks (ITA) up. Healthcare (XLV) up, Big Tech (QQQ) up.*
- **Headlines: Iran, Russians in Syria, North Korea, terrorism.**
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has eased bond yields down. The 10 year Treasury note now yields about 2.37%
The 30 year Treasury note yield is about 2.68%.*
- **CA fires likely impacting economy.**
- **Eurozone – still in *BIG* trouble due to hoards of refugees.**
- **Federal Reserve raised Fed Funds rate by .25% to 1.5% in Dec.**
- **Gov’t Claims US Job Situation is Improved.**
 - *But BLS just makes up numbers, so who really knows.*
- **Official Inflation rate as of October 1 was 2.2% / year**
 - *NV Gasoline holding (\$2.46 at Costco)*
 - *Medical care & insurance is NOT cheap*

The New Income Tax Law

- **Congress conference committee has finalized the terms of the bill**
 - <https://www.cnbc.com/2017/12/15/gop-releases-its-final-tax-plan--heres-whats-in-it.html>
 - <https://www.cnbc.com/2017/12/15/find-your-new-tax-brackets-under-the-final-gop-tax-plan.html>
 - <https://www.fool.com/taxes/2017/12/12/how-tax-reform-treats-dividends-and-capital-gains.aspx>
- **Effective for Tax Year 2018**
- **Major Provisions for Individual Filers:**
 - *Seven tax brackets with slightly lower rates (see next slide)*
 - *Standard deduction increased to \$12,000 SF, \$24,000 MFJ*
 - *Personal exemptions GONE – replaced with \$300 credit per adult, \$2000 credit per child*
 - *Most itemized deductions GONE except ...*
 - Mortgage interest on first \$750,000 (new mortgage), first \$1 million (existing mortgage)
 - First \$10,000 of state & local sales, income or property taxes
 - Medical deductions exceeding 7.5% of AGI
 - Charitable contributions
 - *Obamacare penalty for no health insurance repealed*
 - *Alternative minimum tax repealed*
 - *Estate tax exemption doubled (to about \$22 million when inherited by surviving spouse)*
 - *Dividends and Cap Gains still receive favorable treatment, but complex rate structure*
- **Corporate Tax rate drops from 35% to 21%**
- **Pass-through businesses can deduct 20% from first \$315,000 of income**
- **Because of reconciliation rules, sunsets in 2025
(but will likely be renewed or made permanent before then)**

The New Income Tax Rates

- New law features 7 tax brackets for taxable income:
 Note the marriage penalty beginning at 35% and worse at 37%
 (Rate tables copied from an Agora Financial newsletter)

Bracketology, Old and New							
<i>How individual tax brackets would change</i>							
Current Law				Republican Tax Bill			
Seven-bracket progressive rate income tax with a top marginal rate of 39.6%				Retains seven brackets, but at reduced rates, including a top marginal rate of 37 percent. Provisions sunset at end of 2025.			
Rate	Single	HoH	Joint	Rate	Single	HoH	Joint
10%>	\$0	\$0	\$0	10%>	\$0	\$0	\$0
15%>	\$9,525	\$13,600	\$19,050	12%>	\$9,525	\$13,600	\$19,050
25%>	\$38,700	\$51,800	\$77,400	22%>	\$38,700	\$51,800	\$77,400
28%>	\$93,700	\$133,850	\$156,150	24%>	\$82,500	\$82,500	\$165,000
33%>	\$195,450	\$216,700	\$237,950	32%>	\$157,500	\$157,500	\$315,000
35%>	\$424,950	\$424,950	\$424,950	35%>	\$200,000	\$200,000	\$400,000
39.6%>	\$426,700	\$453,350	\$480,050	37%>	\$500,000	\$500,000	\$600,000

Source: Tax Foundation

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Open Discussion