

**Tax Comparison
Dealer Participation Programs
Before and After Tax Cuts and Jobs Act**

Assumptions:

	<u>2017</u>	<u>2018</u>	<u>Difference</u>
Top Individual Tax rate	39.6%	37.0%	-2.6%
Top Capital Gains Tax Rate	20.0%	20.0%	0.0%
Medicare Tax on Net Investment Income	3.8%	3.8%	0.0%
Corporate Rates:			
0-\$50,000	15.0%	21.0%	6.0%
\$50,001 - \$75,000	25.0%	21.0%	-4.0%
\$75,001 - \$100,000	34.0%	21.0%	-13.0%
\$100,001 - \$335,000	39.0%	21.0%	-18.0%
\$335,001 - \$10,000,000	34.0%	21.0%	-13.0%
Special Tax Pass Through Rate (Partnerships/S Corps)	N/A	Assume Dealer Income Exceeds Threshold and Phase out.*	
Underwriting Profit	300,000.00		
Net Investment Income (Reinsurance)	15,000.00		
Total Income	315,000.00		

Retro Program Example

Dealership S Corp Income	300,000.00	300,000.00	
Tax paid by Dealer in year received	118,800.00	111,000.00	(7,800.00)

Reinsurance Program Example

Reinsurance Company Income	315,000.00	315,000.00	
Reinsurance Company Tax (IRC Section 831(b) election)	2,250.00	3,150.00	900.00
Net Gain	312,750.00	311,850.00	
Dividend to Shareholder	300,000.00	300,000.00	
Shareholder Tax on Dividend	71,400.00	71,400.00	
Total Tax (Reinsurance Company and Shareholder levels)	73,650.00	74,550.00	900.00
Projected Tax Savings using a Reinsurance Program instead of a Retro Program	45,150.00	36,450.00	

* Deduction for certain qualified pass-through business income

Most dealers' income would be too high to qualify. Dealer and dealership specific details would be needed to complete the calculation.

Dealer and Dealership CPAs would need to be involved in the planning and calculation of deduction, if any.

Full deduction available up to Threshold amount and then phased out.

Threshold amount: \$157,500 single, \$315,000 MFJ

Fully phased out over the next: \$50,000 single, \$100,000 MFJ

Deduction Calculation

Lesser of: 20% of qualified business income

Greater of: 50% W-2 wages with respect to the qualified trade or business

sum of 25% of W-2 wages plus 2.5% of unadjusted basis immediately after acquisition of all qualified property

Plus: 20% of Qualified REIT dividends and qualified publicly traded partnership income