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Legal Connections

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"The new tax laws will undoubtedly have an impact on individuals and businesses. Sound legal advice can help best prepare you for the changes ahead."

Jill Snitcher McQuain, Esq.
Executive Director
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NEW TAX CUTS AND JOBS ACT: AN INDIVIDUAL PERSPECTIVE

JOHN SCHUMAN
Budros, Ruhlin & Roe

Over the past year, there has been speculation about how to improve corporate tax rates, simplify individual tax filings, provide a middle-class tax cut, encourage reinvestment in the US and so forth. It appears that the Republican Congress has finally agreed on how to address these issues. Congress officially passed the Tax Cuts and Jobs Act on Dec. 18 and it was signed into law shortly after. Things really didn't change that much.

The Act has seven new tax brackets effective Jan. 1 with the top rate at 37 percent. The new tax rates create a lower tax at most income levels compared to the 2017 tax rates. The Act eliminated many itemized deductions and doubled the Standard Deduction to $24,000 for couples. This interplay will cause more taxpayers to take the standard deduction and not itemize. Being forced to take the standard deduction could cause the loss of any tax benefit for itemized deductions.

The deduction for all state and local income taxes and property taxes is limited to a combined amount of $10,000. Many advisers recommended prepaying real estate taxes, but that can't be done with state and local income taxes. The Act includes an anti-abuse provision which disallows deductions in 2017 for state and local income tax payments made in 2017 which are applied to a 2018 state or local income tax liability.

Unreimbursed Medical Expenses deduction was improved under the Act. The income threshold to deduct medical expenses was lowered to 7.5 percent. Putting more medical expenses into this year and next year are advantageous. Additionally, the gift tax was retained as is. Charitable Deductions were also retained and the limitation on deductibility was raised from 50 percent to 60 percent of your adjusted gross income.

The Act limits the cap on mortgage interest deductibility to the first $750,000 of acquisition indebtedness but it grandfathers the old $1M cap for mortgages taken out prior to Dec. 15. All miscellaneous itemized deductions are repealed and no longer allowed.

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AMT was retained under the Act, but the exemption was increased and the phaseout of the exemption occurs at higher income levels ($1M for married taxpayers). 529 accounts can be utilized on a tax-free basis to pay for private schooling expenses up to $10,000 per year, per student. The provision allowing 529s for homeschooling expenses was removed.

The Estate Tax Exemption increased, doubling the lifetime exemption amount of $5.6M to $11.2M. Because each spouse's exemption is portable and can be transferred to a surviving spouse, a couple can now pass $22.4M at death without any estate tax.

I wouldn't call this significant tax reform or simplification. We have the same number of rates, many of the same deductions, AMT and many other provisions that were retained. The significant changes came on the business tax side; I would argue that those aren't very simple, either. This legislation is not permanent and generally sunsets in 2025. This is likely not the last word on tax legislation for individuals.

EDUCATION & EVENTS

Wednesday, August 15 • 1:30 – 4:45 p.m.
The State of Diversity and Inclusion in the Legal Profession
3.0 CLE Hours

Wednesday, August 15 • 5 – 7 p.m.
Committees and Cocktails: August 2018
This event is free for Columbus Bar members.

Thursday, August 16 • 9 a.m. – 12:15 p.m.
Practice Management:
Lean is as Easy as 1, 2, 3! Part 3
3.0 CLE Hours

All classes listed are offered at the Columbus Bar Associations offices, 175 S. Third St. Ste. 1100. To register, call 614-221-4112 or enroll online at **www.cbalaw.org.**

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INTELLECTUAL PROPERTY OWNERSHIP: HOW TO PROTECT YOUR ASSETS

JOHN WEAVER
Stansbury Weaver, Ltd.

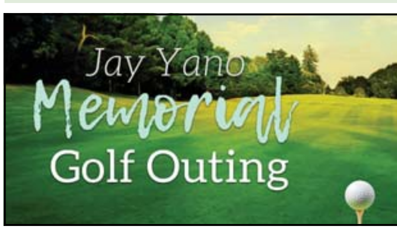
Intellectual property (IP) is often the most valuable asset a company owns. Ambiguity in IP title is an existential threat. Litigation, or even the threat of litigation, can cost a fortune. Potential acquirers can use ambiguity to reduce valuations. The best way to protect your business IP is to use written contracts; failure to protect IP opens the door to competitors and reduces competitive advantages.

The law of IP ownership is complex and depends on a multitude of factors. Ownership of software code is a perfect illustration of how complex IP ownership can be. Software can fall into several categories of IP (copyright, patent or trade secret). For this example, we'll only look at copyright.

Generally, copyright ownership vests with the creator. A contractor who writes software code holds the copyright, unless specified otherwise. However, if that coder is an employee, then a doctrine called "work for hire" might apply, which would grant the copyright to the employer. However, different jurisdictions have different interpretations of "work for hire." So it may come down to where the coding took place.

Things get murkier with startups, where the lines between employee, contractor and founder blur. Some courts have ruled that the informal nature of startups affects copyright ownership. Other courts have remained rigid about the necessity of written contracts. Founders may personally own rights that the company relies on.

Determining ownership of software code is frustratingly complex, even when only considering copyright. Patent and trade secret rights further confuse things. The only way to cut through the complexity is to have clear, written contracts with employees and contractors. Contracts establish clear IP ownership and help your company avoid landmines.



September 11, 2018 **1:00pm** **Bent Tree Golf Club**

Reserve your foursome now at www.cbalaw.org

Please plan to join us for the Second Annual Jay Yano Memorial Golf Outing, a 4-person scramble at Bent Tree Golf Club. All proceeds from the outing benefit the Jay Yano Memorial Fund of the Columbus Bar Foundation.

For more information, please visit www.cbalaw.org or call 221-4112.