



Will TCJA Go On Forever and Kill the Roth Conversion?

Presented by:
Steven Jarvis, CPA



Steven Jarvis, CPA

CEO and Head CPA



Steven works exclusively with Financial Advisors and their Clients to help them not-overpay the IRS. His approach to combine tax preparation with tax planning makes him the CPA that Advisors and clients look forward to working with. Steven's new book "Don't Get Killed on Taxes" is available on Amazon and is a great example of the ways that Steven is working to educate taxpayers on tax planning.





Important DISCLAIMERS



- This is tax EDUCATION not tax ADVICE
- This presentation is for professional audiences ONLY and should not be distributed to clients.
- Courage and hard work are the foundations of all success.
- This works!
- While this passed our compliance department, YOU alone are responsible for being compliant.
- Past performance is no guarantee of future results.

Learning Objectives



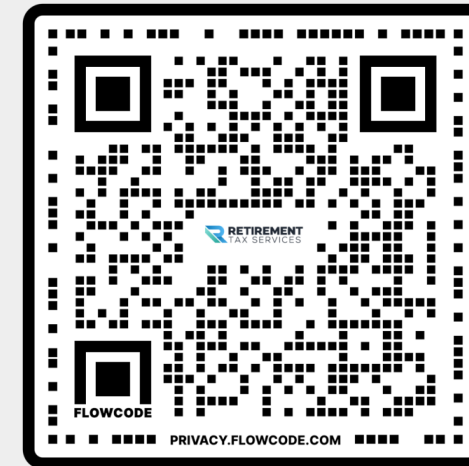
- 1 Understand the implications of proposed tax law changes
- 2 Learn the benefits of Roth conversions beyond estimated tax savings
- 3 Articulate when Roth conversions are a bad fit for a client
- 4 Expand knowledge of how to effectively execute Roth conversion

What we know today

— Ordinary Income Tax

	If taxable income				The marginal tax rate is		
	Is over		But not over				
Married filing jointly and qualifying widow(er)s	2024	2025	2024	2025	2024	2025	2026*
	-	-	\$23,200	\$23,850	10%	10%	10%
	\$23,200	\$23,850	\$94,300	\$96,950	12%	12%	15%
	\$94,300	\$96,950	\$201,050	\$206,700	22%	22%	25%
	\$201,050	\$206,700	\$383,900	\$394,600	24%	24%	28%
	\$383,900	\$394,600	\$487,450	\$501,050	32%	32%	33%
	\$487,450	\$501,050	\$731,200	\$751,600	35%	35%	35%
Single	\$731,200	\$751,600	-	-	37%	37%	39.6%
	-	-	\$11,600	\$11,925	10%	10%	10%
	\$11,600	\$11,925	\$47,150	\$48,475	12%	12%	15%
	\$47,150	\$48,475	\$100,525	\$103,350	22%	22%	25%
	\$100,525	\$103,350	\$191,950	\$197,300	24%	24%	28%
	\$191,950	\$197,300	\$243,725	\$250,525	32%	32%	33%
	\$243,725	\$250,525	\$609,350	\$626,350	35%	35%	35%
	\$609,350	\$626,350	-	-	37%	37%	39.6%

GET YOUR TAX GUIDE



SCAN HERE

Will Congress do anything?





Will Congress do anything?

- 6 bills passed by the House of Representatives in the last month
 - H.R. 1152, the Electronic Filing and Payment Fairness Act
 - H.R. 998, the Internal Revenue Service Math and Taxpayer Help Act
 - H.R. 517, the Filing Relief for Natural Disasters Act
 - H.R. 1491, the Disaster-Related Extension of Deadlines Act
 - H.R. 997, the National Taxpayer Advocate Enhancement Act of 2025
 - H.R. 1155, the Recovery of Stolen Checks Act

Currently HUNDREDS of bills in both the House and Senate covering taxes...which is pretty standard

Taxpayer Assistance and Service Act (TAS)



Senate Finance Committee

- Improving tax administration and customer service;
- Creating fairness and simplification for millions of U.S. taxpayers living abroad;
- Streamlining judicial review of adverse IRS determinations in several ways;
- Strengthening the independence of the Office of the Taxpayer Advocate;
- Authorizing the Treasury Department to establish minimum standards for tax return preparers;
- Strengthening taxpayer rights before the Office of Appeals;
- Setting forth rules relating to whistleblowers;
- Providing filing and payment relief for U.S. taxpayers held hostage abroad who miss deadlines;
- Providing administrative relief for small businesses; and
- Certain miscellaneous changes.

Ways & Means Committee “Ideas”



Repeal SALT Deduction

\$1.0 trillion in 10-year savings relative to TCJA extension

VIABILITY: HIGH / MEDIUM / LOW

- This option would eliminate both the individual and business State and Local Tax deduction. Currently, the cap is \$10,000. After 2025, this limitation will expire.

Ways & Means Committee “Ideas”



Eliminate Tax on Tips

\$106 billion in 10-year costs

VIABILITY: HIGH / MEDIUM / LOW

- Tips received by employees are subject to income and payroll taxes. This option would eliminate the income tax on tips.

Eliminate Tax on Overtime

\$750 billion in 10-year costs

VIABILITY: HIGH / MEDIUM / LOW

- This blanket exemption would prevent overtime earnings from being taxed. This is a Tax Foundation score.

Ways & Means Committee “Ideas”



Make \$10k SALT Cap Permanent, but Double for Married Couples

\$100-\$200 billion cost relative to TCJA extension

VIABILITY: HIGH / MEDIUM / LOW

- This option would extend the \$10k SALT cap but double it for married couples.

Ways & Means Committee “Ideas”



\$15k/\$30k SALT Cap

\$500 billion cost relative to TCJA extension

VIABILITY: HIGH / MEDIUM / LOW

- This option would cap the SALT deduction at \$15k for individuals and \$30k for married couples.

Ways & Means Committee “Ideas”



Eliminate Head of Household Filing Status

\$192 billion in 10-year savings

VIABILITY: HIGH / MEDIUM / LOW

- The Head of Household filing status provides a larger standard deduction for unmarried individuals who have children. This option would eliminate the Head of Household filing status.

Eliminate the American Opportunity Credit

\$59 billion in 10-year savings

VIABILITY: HIGH / MEDIUM / LOW

- The American opportunity tax credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education.



?

?

?

**Roth is the easy stuff,
why are we still talking about it ?**

?

?

?



Because Advisors Still Ask

“How many years does it take to ‘breakeven’ on a Roth conversion?”

“How do I help my clients understand the value of paying more taxes now on purpose?”

“Where do I even begin with deciding how much to recommend a client converts?”



Because Your Clients Still Ask

*“How do I stop
getting killed on
taxes?”*

*“How do I stop
getting killed on
taxes?”*

*“How do I stop
getting killed on
taxes?”*



Because Your Clients Still Ask

“How can we decide what to do when we don’t know what tax rates will be in the future?”

“Why would I want Roth when it doesn’t get me a tax deduction”

“When is the best time of year to do a Roth conversion?”



Roth is a philosophy not just a math problem

“Mr. and Mrs. Client are you concerned that tax rates might be higher in the future?”

While the IRS doesn't give us many chances to create tax free income there is a reliable exception: Roth Accounts



This is the default bucket. Money in this bucket is subject to ordinary income tax rates (0%-37%) as it is earned. This is what happens to all of your money without a plan.

This bucket is filled with pre-tax money, but is subject to ordinary income tax rates (currently 0%-37%) when the money comes back out. This can be a great tool but creates risk based on what tax rates might do in the future.

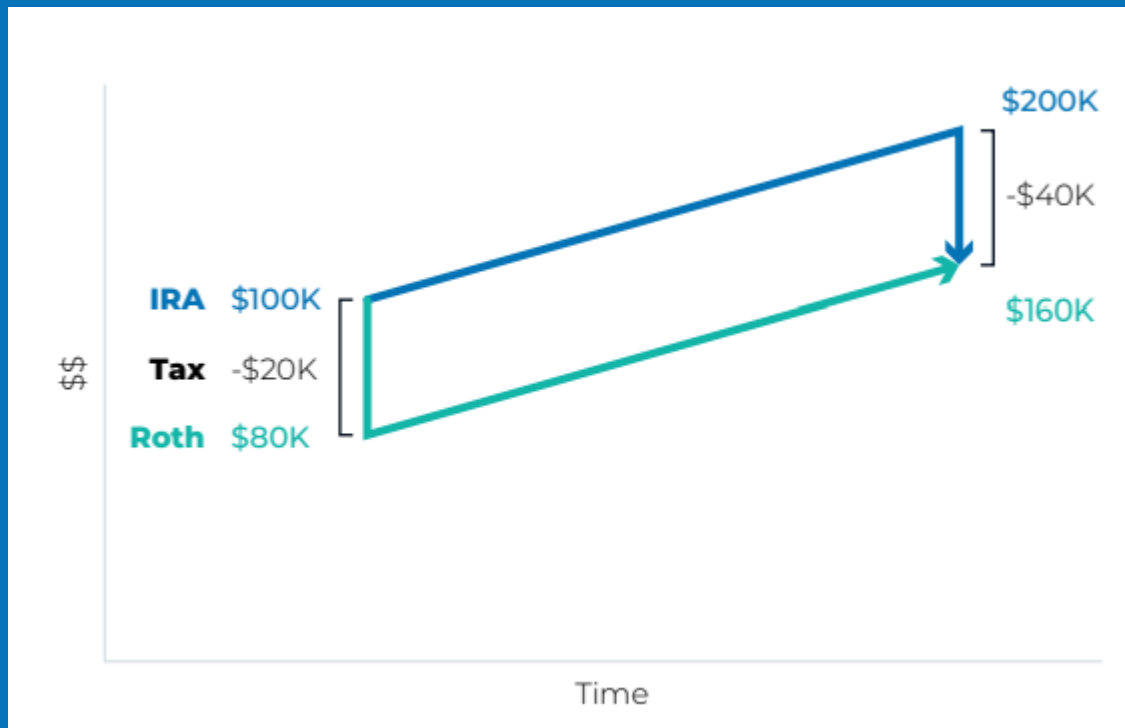


For special types of income, qualified dividends and long-term capital gains, the IRS has setup preferred rates (0-20%). Having a plan for when money comes out of this bucket can have a big impact on how much tax is ultimately paid.

Our favorite bucket, money in this bucket is no longer subject to income tax of any kind once a couple of timing requirements are met. After tax money is used to fill this bucket but all of the growth is tax free.



Roth 101

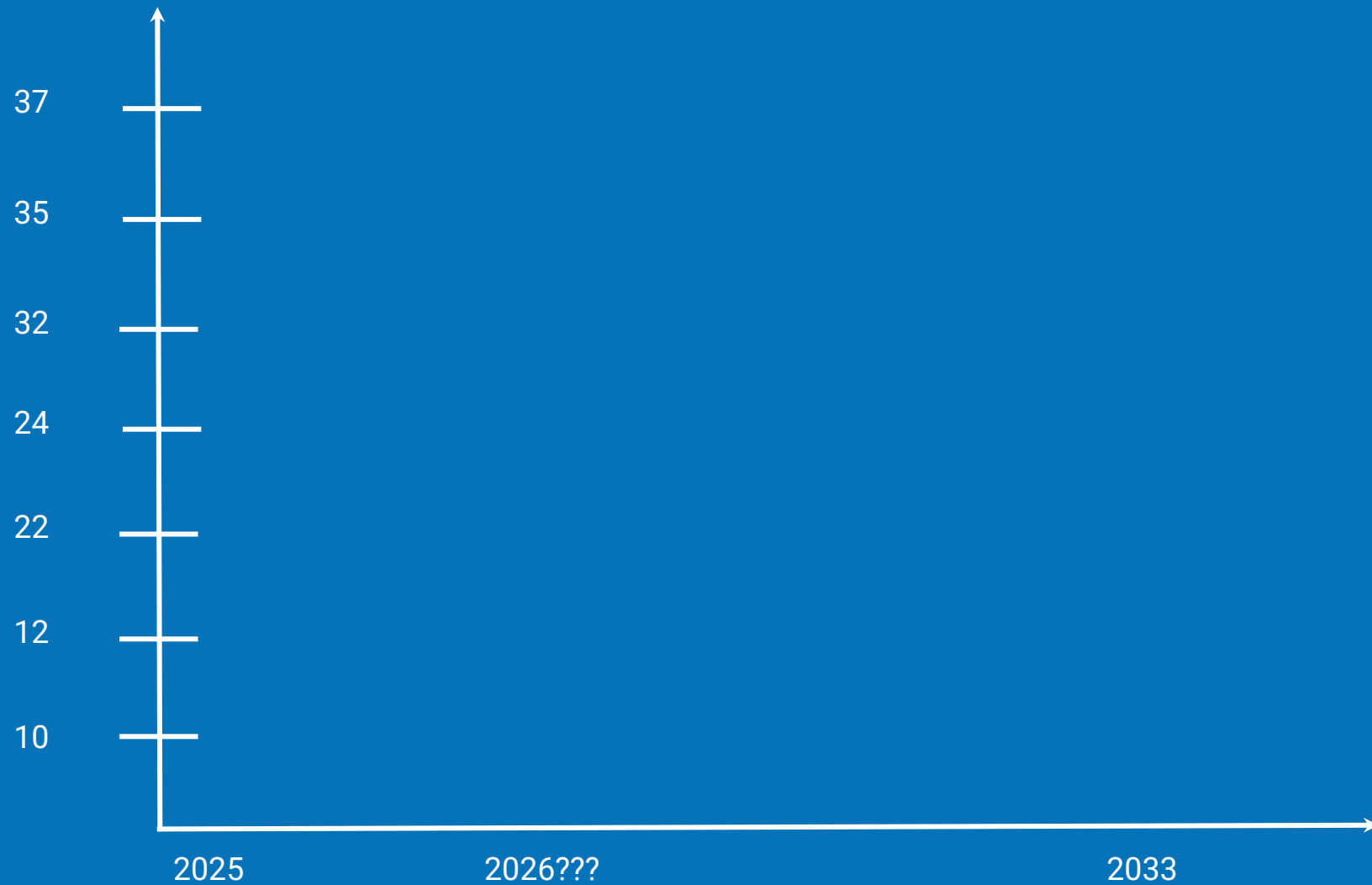


Pay now or later?

There is no break even point!!!



Proactive vs. Default





Which way do you Roth?

- 401(k) (employer sponsored)
- Solo 401(k)
- Self - directed
- SEP
- SIMPLE
- Contribution
- Match
- Profit sharing
- Conversation
- Back door



But is Taxable Brokerage the real Tax Super Account ?

Tax Rates	<	Roth	Tax Free
		Taxable	Tax Preferred (potentially 0%)
Flexibility	<	Roth	Nearly unrestricted access to basis
		Taxable	Unrestricted access to full account balance
Funding	<	Roth	Annual limitations on contributions
		Taxable	No limits on contributions



But is Taxable Brokerage the real Tax Super Account ?

Tax - Loss Harvesting	Roth	Not applicable
	Taxable	Consolation prize and highlight of robo-advisors

Charitable Giving	Roth	Tax free funds can still be used for tax deductions
	Taxable	Potential for appreciated stock gifting



					Incremental Annual Cost		Potential	
			Monthly Premium	Marginal Increase	One Tax Payer	Two Tax Payers	Roth Conversion	Tax "Rate"
Married filing jointly and qualifying widow(er)s	- \$194,000		\$165					
	\$194,000	\$246,000	\$231	\$66	\$791	\$1,582	\$52,000	3.04%
	\$246,000	\$306,000	\$330	\$99	\$1,187	\$2,347	\$60,000	3.96%
	\$306,000	\$366,000	\$429	\$99	\$1,187	\$2,347	\$60,000	3.96%
	\$336,000	\$750,000	\$528	\$99	\$1,187	\$2,347	\$384,000	0.62%
	\$750,000		\$561	\$33	\$396	\$792		
Single	- \$97,000		\$165					
	\$97,000	\$123,000	\$231	\$66	\$791		\$26,000	3.04%
	\$123,000	\$153,000	\$330	\$99	\$1,187		\$30,000	3.96%
	\$153,000	\$183,000	\$429	\$99	\$1,187		\$30,000	3.96%
	\$183,000	\$500,000	\$528	\$99	\$1,187		\$317,000	0.37%
	\$500,000		\$561	\$33	\$396			



What if the Rules Change ?



What Taxpayers get wrong?



- Confusing industry jargon: Roth vs. IRA vs Roth IRA vs. Brokerage vs “the account my advisor manages” vs
- Forgetting (or not understanding) that taxes are due this year
- Not sharing all relevant information
 - PRO TIP: This is why you have to get the tax return
- This is an estimate, not a guarantee

What CPAs get wrong?

- Data entry instead of tax planning
 - 1099s are wrong and misleading WAY too often
- Taxes should never be paid before they absolutely have to be
- Making assumptions instead of communicating
- Singular focus on the amount of a client's refund as the goal post
- Form 8606



What Advisors get wrong?

- Not getting the client's tax return
- Forgetting about shadow taxes
- Focusing on the math instead of the outcome
- Not effectively communicating with the client
AND their tax preparer
 - *If it doesn't get reported to the IRS it didn't happen, your responsibility does not end with the recommendation*





Tax laws can always change





“We have to make the best decisions based on the information and laws we currently have”



The One Big Thing...

Request and review a copy of every client's tax return every single year



IF TAXES WERE LIKE DRIVING A CAR...



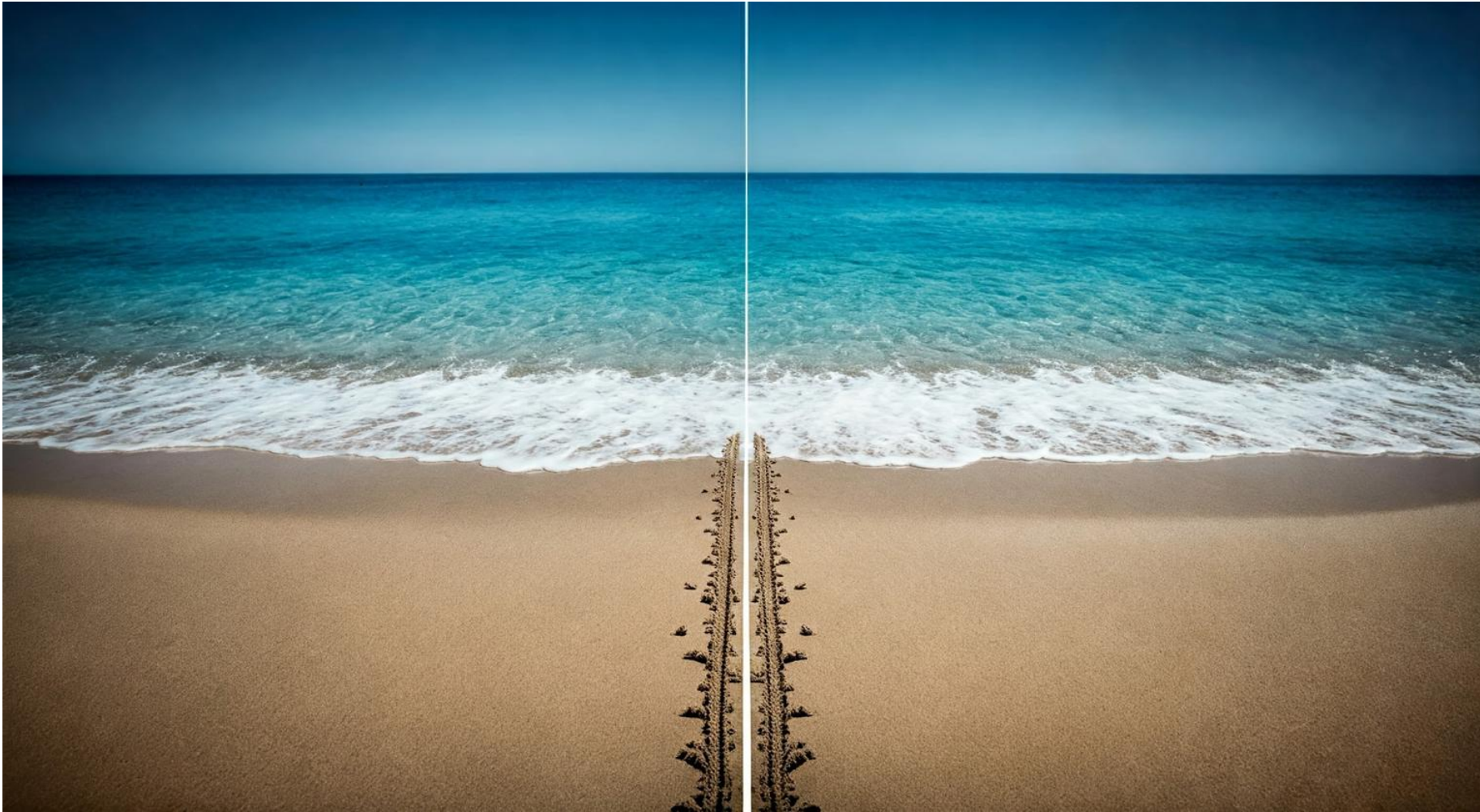
©RETIREMENT TAX SERVICES



Where's the line?



Tax Planning vs. Tax Advice



Learning Objectives



- 1 Understand the implications of proposed tax law changes
- 2 Learn the benefits of Roth conversions beyond estimated tax savings
- 3 Articulate when Roth conversions are a bad fit for a client
- 4 Expand knowledge of how to effectively execute Roth conversion



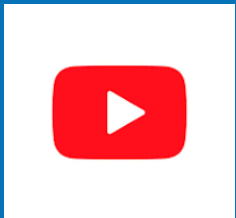
Thank You!



www.linkedin.com/in/stevenajarvis/

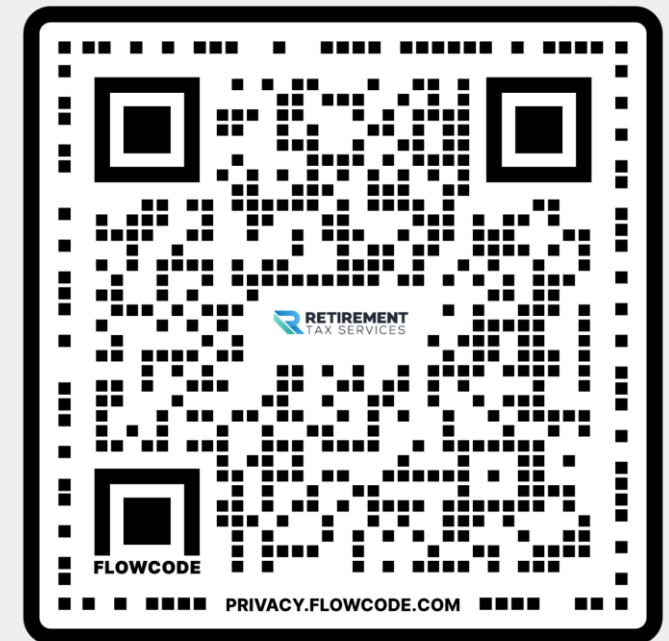


www.retirementtaxservices.com/podcasts/



<https://www.youtube.com/@StevenJarvis-RTS>

GET YOUR TAX GUIDE



SCAN HERE

Remember to tip your Server, not the IRS!