JANUARY, 2018

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BUSINESS HIGHLIGHTS OF TAX REFORM

Corporate Tax Rate is a flat 21% -- not 15% for under $50,000 taxable income as before. And 25% 34% and 35% rates are gone.

The new 21% rate will take effect January 1, 2018 and will be permanent. Assets held by U.S. corporations overseas will face a one-time "deemed repatriation" tax of 8% on fixed assets and 15.5% on cash.

Corporate AMT is repealed. AMT credits will still be refundable at 50%.

Section 179 Expensing of equipment purchase increased from $500,000 to $1,000,000 with a phase-out increase to $2,500,000 for total purchases.
Definition of qualified property amount now will include tangible property used to furnish lodging, and improvements to commercial property for items such as roofs, heating, ventilation and air conditioning property; fire protection and alarm systems; and security systems.

Bonus depreciation will be at 100% for both new and used equipment purchases starting September 28th, 2017.

So-called luxury automobile depreciation limits are increased (see table below).

Depreciation on farming equipment is slightly more favorable to the taxpayer.

Net Operating Losses (NOLs) cannot generally be carried back two years but can be carried forward indefinitely.

The Domestic Production Activities Deduction is repealed. If you did not know what that was, don't worry about it.

(see over)

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Like-kind exchanges for transfer after 2017 are limited to real estate and not only to real estate, but further limited to: not primarily held for ultimate sales. A transaction rule for personal property either disposed of or already acquired the replacement property before 12/31/17.

Meals will still be deductible if business related, but entertainment expenses have been nixed.

There will be no company deduction for amounts paid for sexual harassment if the agreement is subject to non-disclosure.

Lobbying expenses paid with respect to legislation before local government bodies are no longer deductible.

An employer may now receive some credit for wages paid to employees who are on family or medical leave (FMLA).

The cash method of accounting may be used if gross receipts are less than $25 million per year, but a request to the IRS to go back to cash method may be needed.

An inventor's self-created property will not be treated as a capital asset (meaning with long-term capital gains benefit).

For pass-through entitles such as partnerships, S corporations, and sole proprietorships, the individuals receiving the net income will be able to deduct 20% below or after Adjusted Gross Income – but there are some limitations.

(see over)

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Business-used Passenger Vehicle less than a 6,000 pounds GVW rating have increased Caps on Depreciation Write-Offs.

	2017	2018
1st year	$ 3,160	$ 10,000
2nd year	5,100	16,000
3rd year	3,050	9,600
Subsequent years	$ 1,875	$ 5,760

The TCJA 100% Bonus Depreciation is available for new-to-you business and rental personal property (in contrast to real estate). Previous Bonus Depreciation was only available for new property. These include computer systems, off-the-shelf software, vehicles, machinery, equipment, office furniture, appliances, etc. placed in service after September 27, 2017. This 100% Bonus Depreciation is also allowed for qualified film, television, and live theatrical productions placed in service on or after September 28, 2017.

“Qualified improvement property” consisted of the interior portion of a non-residential building, if the improvement is placed in service after the date the building is placed in service. “Qualified improvement property” includes any internal building improvement expenditure that is not attributable to an elevator, escalator, building enlargement or internal structural framework. That is a wide variety of improvements for which an immediate deduction of 100% can lessen the pain of outlays and/or debt for needed space upgrades. Specifically, the internal improvements that qualify include, but are not limited to, (1) any cooling, heating, lighting, electrical, plumbing or ventilation items, including related energy management systems, whose purpose is general building habitability, (2) permanent floor coverings, (3) fire protection and alarm systems (4) many types of doors, (5) ceilings not needed for building support or stability, (6) permanent but nonload bearing walls, (7) exit route signs, (8) woodwork, (9) restroom accessories and partitions, (10) building security items.

There are other provisions, so we will keep digging to ensure we are aware of all the ones that could help or hurt the taxpayers we know.

(see over)