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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Corporate AMT is repealed.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. Losses incurring in 2018 or thereafter will only be usable up to 80% of taxable income. Older NOLs will still be fully usable.

The Domestic Production Activities Deduction is repealed.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

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Like-kind exchanges for transfer after 2017 are limited to business and investment real estate. A transition rule for previous "like kind" exchanges states it will apply in 2018 if the property was disposed of before 2018 or if the property received is received before 2018.

Meals will still be deductible if business related, but entertainment expenses have been nixed. A combined invoice must show the meal and drinks separately.

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 for the last 3 years average are less than \$25 million per year, but a request to the IRS to go back to cash method may be needed. In addition to the usual delay in timing of income, side benefits include 1) not accounting for inventory and cost of goods sold; 2) not adding overhead to the inventory (called uniform capitalization); 3) not requiring percentage-of-completion if the construction or improvement of real estate is expected to be completed within 2 years. But a further limitation states that income recognized for tax purposes must be recognized no later than when an applicable financial statement does. Advance payments can be deferred if also done for financial statement purposes. This just adds to my reasons for doing financial statement under the income tax method of accounting.

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

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

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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
1 st year	\$ 11,160	\$ 18,000
2 nd year	5,100	16,000
3 rd year	3,050	9,600
Subsequent years	\$ 1,875	\$ 5,760

These dollar max amounts must also be multiplied by the percentage of business use (based on mileage).

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.