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Overview of Business Changes

- Corporate tax rate to a flat 21%
- Corporate AMT
- Code Sec. 199A - Special Rules for pass through entities.
- Repeal of Sec. 199 DPD
- Changes to Sec. 179 depreciation
- Changes to Sec. 168k bonus depreciation
Overview of Business Changes - Continued

- Expanded accounting method exceptions
- Changes to various fringe benefits
- Limit on use and carryback of NOL’s
- Limitation on interest expense deduction
- Changes to Sec. 179 depreciation
- Changes to Sec. 168k bonus depreciation
Corporate Rate Changes

- New flat tax rate of 21%
  - Corporations with taxable income of < $50,000 will pay a higher tax. The old rate of 15% has been eliminated.
  - New tax on $50,000 = $10,500
  - Old Tax on $50,000 = $7,500
Corporate Rate Changes

- Personal service corporations are now taxed at the same rate as regular C-Corps – 21% (No more surtax)
- The Corporate AMT has been repealed
- The dividends received deduction has been reduced.
  - The old 70% deduction is now 50%
  - The old 80% deduction is now 65%
The audit staff can cover this in a future seminar.

Keep in mind that deferred tax assets/liabilities will need to be remeasured due to the change in tax rate.
20% Pass-through Deduction

- A new deduction up to 20% of Qualified Business Income (QBI)
- QBI Definitions
  - Qualified trade/business income
  - Not a specified trade/business
    - Accountants/Architects/Attorneys/Athletes
20% Pass-through Deduction

- Does not include investment income
- Does not include reasonable compensation paid from a S-Corp or guaranteed payments to a partner
- Phaseout limitations apply
C CORPORATION? OR S CORPORATION? LLC?
Partnership Changes

- The technical termination provisions have been repealed
- Effective for tax years after 12/31/2017
  - No need to “Close the Books”
  - No short year returns are required
  - No longer an automatic termination of the partnership.

The termination will only happen if the business is sold or ownership changes to an SMLLC
Depreciation

- Additional first year bonus depreciation – write-off up to 100%, for property placed in service after 9/27/2017.
- Used property now qualifies for bonus depreciation – it just has to be “New to You”
- Sec. 179 limits have been increased to $1,000,000 with a threshold of $2,500,000
Accounting Methods for Small Taxpayers

- Small taxpayers that have average gross receipts of less than $25M for the prior 3 years can now –
  - Use the cash method – including C-Corporations
  - Treat inventory as non-incidental materials and supplies
  - Exempt from allocating overhead expenses to inventory under Sec. 263A
  - Use the completed contract method if they expect to complete a contract within 2 years
Interest Deductions

- Deductible interest limited to
  - Interest income for year plus
  - 30% of taxable income plus
  - taxpayers financing interest for the year

- Limitation at the taxpayer level

- Interest not deductible carries forward indefinitely

- Doesn’t apply to taxpayers that meet $25M gross receipts test
Fringe Benefits & Entertainment Expenses

• Repeal of business entertainment expenses

• Repeal of deduction for qualified transportation fringe benefits

• Repeal of exclusion for bicycle commuting reimbursement

• Repeal of exclusion for employee reimbursed moving expenses

• Other changes to employee fringe benefits
NOL Provisions

• No longer allowed to carryback NOLs
• Carried forward indefinitely
• 80% of taxable income may be reduced by NOL
1031 Exchanges

- Sec. 1031 Exchanges can only be used for Sec. 1250 property.
Planning Notes for 2018 and Beyond

- Guidance needed on Sec. 199A (pass-through deduction)
  - Definitions: qualified business income; qualified trade/business; small business

- Effect of corporate rate reduction to 21% on choice of entity

- Debt structure due to interest limitations

- Entertainment expenses

- Changes to fringe benefits and effect on employees