Tax Cuts & Jobs Act
KEY TAKEAWAYS
FOR BUSINESSES

Tax Cuts and Jobs Act – Key Takeaways for Businesses

The following is a summary of key provisions from the Tax Cuts and Jobs Act ("Act") which became law December 22, 2017.

1. **What is your optimal structure to minimize taxes paid by the entity and shareholders?** Many S corporations are considering revoking the S election for 2018 to be taxed as a C corporation due to the reduction of corporate tax rate from 35% to 21%. We are helping many companies with this analysis and evaluating numerous factors.

2. **Are you eligible for the 20% pass-through deduction?** Most pass-through entities will only pay tax on 80% of their income beginning 2018 through 2025. Professional services are ineligible except for architecture and engineering.

3. **Do you incur entertainment expenses?** As a revenue raiser, business entertainment expenses including meals are no longer deductible. The deduction for meals provided on or near the employee's work location for convenience of the employer is reduced from 100% to 50%. Meals incurred during business travel are 50% deductible.

4. **Do you have debt?** A business may no longer deduct net interest expense to the extent it exceeds 30% of the business's income (defined as EBITDA through 2022 and EBIT thereafter). Real estate businesses, and other businesses with gross receipts less than $25 million, are exempt from this disallowance.

5. **Do you have NOL carryforwards?** The Act eliminates net operating loss carrybacks and makes changes to the treatment of loss carryforwards. The Act provides that loss carryforwards may offset only up to 80% of taxable income in any given year. Unused losses may be carried forward indefinitely. The new rules apply to losses arising in 2018 and later years.

6. **Do you have foreign earnings accumulating in foreign subsidiaries?** The Act no longer allows deferral of U.S. tax on foreign earnings. Prior law allowed deferral of U.S. taxes until foreign earnings were repatriated. The deferral is eliminated, but companies can elect to pay the U.S. tax over 8 years at a reduced rate of 15.5% or 8% depending on several factors.

7. **Do you pay corporate AMT?** The corporate AMT repeal is effective for taxable years beginning after December 31, 2017. Going forward, any corporate AMT credit carryforward may offset the regular tax liability for any taxable year after 2017, and a portion of the credit may be refundable.

8. **Will you invest in fixed assets during 2018?** The Section 179 expense limitation on qualifying property is increased to $1,000,000, while also increasing the initial phase out amount to $2,500,000 of annual fixed asset additions. Further, bonus depreciation is 100% and is made retroactive to September 27, 2017 and applies through 2022. Bonus depreciation also now includes used equipment.

Please contact a member of your Brixey & Meyer tax services team to discuss these or other issues in more detail.