

TAX CHANGES FOR CORPORATIONS

Topic	Pre-Tax Act	2017 Tax Act																		
Tax and Rates																				
Corporate Tax Rate	A corporation's tax liability is determined by the below rates. Corporations that receive dividends from other taxable corporations may receive a deduction for dividends received.	The corporate tax rate is reduced to a flat 21% for tax years beginning on January 1, 2018. The special rate for personal service corporations is removed. The deduction for dividends received is reduced.																		
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Alternative Minimum Tax ("AMT")	<p>Corporations compute their regular income tax, then do a separate computation for purposes of the AMT. A corporation with average gross receipts of \$7.5M or more in the last 3 tax years is subject to AMT, with the corporation's tax liability being the greater of their regular tax liability or the recomputed AMT liability.</p> <p>There is a credit for AMT paid in prior years that corporations may carry forward and claim against the corporation's regular tax liability in future years.</p>	<p>The AMT is repealed for tax years beginning January 1, 2018, or later.</p> <p>Credits for prior years' AMT paid are still available as a credit, with the possibility of a refund for tax years beginning after 2017 and before 2022.</p>																		
Expensing and Depreciation																				
Temporary 100% Expensing for Certain Business Assets	Taxpayers are entitled to bonus depreciation in the year "qualified property" is placed	The Act expands the definition of qualified property to include film, television, and theatre																		

	<p>into service through 2019 or 2020 for certain qualified property.</p> <p>The bonus depreciation amount is equal to 50% of the cost of the property placed in service during 2017, with a phase down to 40% in 2018 and 30% in 2019.</p> <p>With some exception, qualified property that is eligible for this bonus depreciation is tangible personal property with a recovery period of 20 years or less under the modified accelerated cost recovery system.</p>	<p>productions released, broadcasted, or staged after September 27, 2017.</p> <p>The Act also allows for full expensing of property placed in service after September 27, 2017, and annually reduces the percentage that may be expenses for property placed in service after December 31, 2022.</p> <p>A taxpayer can elect 50% expensing, as opposed to 100%, during the first tax year ended after September 27, 2017.</p>
<p>§179 Expensing</p>	<p>A business may immediately expense (avoiding depreciation) up to \$510,000 in 2017 of the cost of any §179 property placed in service each tax year. If the business places in service more than \$2,030,000 in 2017 of §179 property in a tax year, then the immediate expensing is reduced by the amount by which the cost of such property exceeds the threshold.</p>	<p>For property placed in service in tax years beginning after Dec. 31, 2017, the maximum amount a taxpayer may expense under section 179 is increased to \$1 million, with the phase-out threshold increased to \$2.5 million. These amounts are indexed for inflation. Additionally, there is a new definition of qualified real property to include all qualified improvement property and certain improvements made to nonresidential real property.</p>
<p>Depreciation Deductions for Nonresidential Real Property and Residential Rental Property</p>	<p>Nonresidential real property is generally depreciated over 39 years and residential rental property is generally depreciated over and 27.5 years. There were separate definitions and depreciation timelines for qualified leasehold improvement, qualified retail improvements, and qualified restaurant property.</p>	<p>The Act now provides for a 15 year recovery period for qualified improvement property and eliminates the definitions of qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. There is also a 20 year alternative depreciation system recovery period for all qualified improvement property.</p> <p>The Act also lowers the ADS</p>

		<p>recovery period to 30 years for residential rental property.</p> <p>Applies to property placed in service after Dec. 31, 2017.</p>
Deductions and Exclusions		
Limitation on Business Interest Expense Deduction	Subject to certain limitations, business interest expenses are allowed as a deduction.	For businesses with average annual gross receipts in excess of \$25 million, the Act limits the deduction of net interest expenses to the sum of the business interest income, 20% of the business's adjusted taxable income, and floor plan financing interest. Disallowed interest because of the \$25 million limitation may be carried forward to future tax years. There are special rules and elections for real property trades or business using ADS and farming businesses to avoid being subject to the above limitation.
Deductions for Income Attributable to Domestic Production Activities	Taxpayers may claim a deduction equal to 9% of the lesser of the taxpayer's qualified production activities income, which is derived from property that was manufactured, produced, grown, or extracted within the United States, or the taxpayer's taxable income for the tax year.	Deduction repealed for all taxpayers for tax years beginning after Dec. 31, 2017.
Net Operating Loss Deduction	Net operating losses may be carried back 2 years and carried forward 20 years.	<p>The Act eliminates net operating loss carrybacks, except for farming businesses, and allows for net operating losses to be carried forward indefinitely.</p> <p>The deduction is limited, however, to 80% of the taxable income.</p>
Like Kind Exchanges	Taxpayers may defer recognition of gain or loss to the extent property held for use in a taxpayer's trade or business or property held for	<p>Limits like-kind exchanges to real property that is not held primarily for sale.</p> <p>An exception is provided for</p>

	investment purposes is exchanged for property of like-kind for a similar purpose.	any exchange if either the property being exchanged or the property received is exchanged or received on or before Dec. 31, 2017.
Entertainment Expenses	An employer may deduct up to 50% of expenses relating to meals and entertainment. Housing and meals provided for the convenience of the employer on the business premises of the employer are excluded from the employee's gross income. Various other fringe benefits provided by employers are not included in an employee's gross income, such as qualified transportation fringe benefits.	<p>Employers cannot deduct expenses related to entertainment, amusement, or recreation; membership dues for a club organized for business, pleasure, recreation, or other social purposes; or a facility used in connection with any of the above.</p> <p>The current 50% limit on the deductibility of business meals is expanded to meals provided through an in-house cafeteria or otherwise on the premises of the employer.</p> <p>Deductions for employee transportation fringe benefits (e.g., parking and mass transit) are denied, but the exclusion from income for such benefits received by an employee is retained.</p> <p>No deduction is allowed for transportation expenses that are the equivalent of commuting for employees (e.g., between the employee's home and the workplace), except as provided for the safety of the employee.</p> <p>After Dec. 31, 2025, the Act disallows employer deductions for expenses associated with meals provided for the employer's convenience on, or near, the employer's business premises through an employer-operated facility that meets certain requirements.</p>
Employer Credit for Paid Family and	No credit is provided to employers for compensation	Effective for wages paid in tax years beginning after Dec. 31,

Medical Leave	paid to employees while on leave.	2017, but not after Dec. 31, 2019, employers that allow all qualifying full-time employees at least 2 weeks annual paid family and medical leave and allow part-time employees a commensurate amount of leave (on a pro rata basis) can claim a business credit for 12.5% of the wages paid to qualifying employees during any period in which such employees are on family and medical leave if the payment rate under the program is 50% of the wages normally paid to an employee. The credit is increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%.
Denial of Deduction for Settlements Subject to a Nondisclosure Agreement Paid in Connection with Sexual Harassment or Sexual Abuse	Standard §162(a) rules apply and, provided that if the expense is ordinary and necessary and paid or incurred in carrying on the trade or business, the expense is allowed as a deduction. Some exceptions do apply.	Effective for amounts paid or incurred after the date of the Act's enactment, no deduction for any settlement, payout, or attorney fees stemming from a sexual harassment or sexual abuse matter if the payments are subject to a nondisclosure agreement of any kind.
Intellectual Property as a Capital Asset	A self-created patent, invention, model or design, or secret formula or process is treated as a capital asset.	Beginning in 2018, gain or loss from the sale or exchange of a self-created patent, invention, model or design, or secret formula or process is treated as ordinary income. The election to treat musical compositions and musical works as a capital asset is, however, preserved.