2018 Business Tax Overview Guide – The Tax Cuts and Jobs Act

All County Tax Services has been providing personal income tax preparation as well as corporate tax and business services for 4 years. After reviewing the recent tax bill that was signed in December 2017, we compiled a summary of the following list of significant changes. This guide is purely designed to outline the contents of the new bill and the Internal Revenue Service is still fully defining the requirements. This document can serve as a guide, but cannot be solely relied upon to make tax-related decisions. For a fully customized and accurate report, please consult with an experienced tax advisor at All County Tax Services.

Business Income Tax

ALL BUSINESSES

	CHANGE	IMPLICATIONS
1	**Farm Equipment** – farm equipment can now be depreciated at 5 years instead of 7 for both corporate and non-corporate farms	
2	**Domestic Production Activities Deduction** – this deduction has been repealed.	Businesses claiming the Domestic Production Activities Deduction may see an increase in tax liability.
3	**Like-Kind Exchanges** – these exchanges are now solely limited to real estate.	
4	**Bonus Depreciation** – businesses can now claim 100% bonus depreciation for property purchased between September 27, 2017 through December 31, 2022. (Certain longer production property through December 31, 2023). Bonus depreciation now applies to new and used property.	
5	**Business Use Vehicles** – businesses can now depreciate vehicles with the following caps: 1st Year - $ 10,000 3rd Year - $ 9,600 2nd Year - $16,000 4th Year - $ 5,760 (Including all additional years)	
6	**Cash Accounting Limit** – the limit has now been raised to $25,000,000 including farming corporations	
7	**Net Operating Loss** – NOL's are now limited to 80% of taxable income. The carryback/lookback has been eliminated. However, there is an indefinite carryforward.	Businesses claiming a loss need to be more careful about carryforward amounts and their impact on potential Section 199A Deductions.
8	**Employee Leave Credit** – there is now a 12.5% credit available for employers who pay employees for family / medical leave.	
9	**Research and Development Expenses** – these expenses can now be credited through a 5-year amortization.	
10	**Interest Deduction** – capped at 30% of adjusted taxable income for business with gross receipts over $25,000,000	
11	**Section 179** – limit raised to $1,000,000 (investment limit of $2,500,000). The SUV limit is now $25,000. Computers and accessories no longer need to be listed. Section 179 now includes residential roofs, HVAC, and fire/alarm/security systems	
12	**Business Meals** – businesses can no longer deduct entertainment, amusement, recreation, and membership dues to clubs. Food and beverages are deductible at 50%. Food and beverages are deductible at 100% for de Minimis or convenience of employer. This goes to 0% after December 31, 2025.	Business owners should review their bookkeeping practices to ensure that they are properly accounting for and separating the differing meal and entertainment expenses. Entertainment can still be paid, but cannot be deducted.

CORPORATIONS (C CORP. OR LLC TREATED AS CORP.)

	CODE CHANGE	TAX SAVINGS SUGGESTION / WARNING
13	**Alternative Minimum Tax –** the AMT for corporations has been eliminated.	
14	**Double Taxation** – while the concern of many taxpayers over double taxation may still be present, the new tax rates significantly change the percentages.	Owners should review new tax rates to ensure their structure is still optimal.

15	**Tax Rate** – corporations are now taxable at a flat 21% rate	Corporations with taxable income under $50,000 may see an increase in tax. These corps may want to review their structure.
16	**Fringe Benefits / Insurances** – most fringe benefits and insurances are deductible as business expenses and do not carry to owners as taxable benefits.	Business owners should review what insurances they offer and any potential tax savings.

PASS-THROUGH ENTITIES (SOLE-PROPRIETOR, LLC, PARTNERSHIP, S-CORP.)

	CODE CHANGE	TAX SAVINGS SUGGESTION / WARNING
17	**Active Business Loss** – there is a $250,000 per taxpayer/spouse limit on active business loss.	
18	**Accountability Plan -** shareholders that use a portion of their home to accomplish administrative and managerial tasks for the business can reimburse themselves for the business use of their home office via an Accountable Plan.	This would allow you to deduct a portion of Property Taxes and Mortgage Interest impacted by the new limitations imposed on these categories on the personal Itemized Deductions.
19	**Section 199A Deduction** – this is a new deduction taken on Qualified Business Income (QBI) at the taxpayer, not the entity, level. Taxpayers can deduct 20% of QBI. QBI is defined as: Domestic Income, Gain, Deduction and Loss NOT Foreign Income NOT Interest, Dividends, Capital Gains from Non-Business Does NOT include reasonable compensation for S Corp Owners Does NOT include guaranteed payments to Partners Deduction is taken after the AGI on Taxable Income Deduction does not reduce Self-Employment Tax Deduction will be reduced by any previous year carryover loss (NOL) Phases out at Taxable Income of $207,500 per taxpayer ($415,000 for married filing joint returns)	This is a huge potential new deduction, but business owners need to meet very detailed and specific requirements to obtain a potential 20% deduction. Business owners should review their balance sheets and ensure that they are properly reporting and accounting for their assets. There is a potential 20% deduction for your Qualified Business Income (QBI) which can significantly reduce your tax liability; however, despite Congress's efforts to simplify the tax code, the qualifications for this deduction are complex and must be evaluated individually.
	Non-Qualified Business Income: Health, accounting, consulting, athletes, law/legal, brokerage, or any trade where the principal asset is the reputation/skill of the employees or owners. Also investing or management firms dealing in securities, commodities, and partnership interests. **Exception:** Taxable Income is less than $157,5000 per taxpayer ($315,000 for married filing joint returns)	
	Deduction Calculation: LESSER OF: A.) All Combined QBI B.) 20% excess taxable income for year over capital gain PLUS: LESSER OF: A.) 20% of Qualified Cooperative Dividends B.) Taxable Income reduced by net capital gain	
	Deduction Limit: A.) Taxable Income is greater than $157,500 per taxpayer ($315,000 for married filing joint returns) B.) GREATER OF: A.) 50% of taxpayers share of W2 wages B.) 25% of taxpayer share of W2 wages + 2.5% of unadjusted basis of tangible property (subject to depreciation) C.) Cannot be more than 20% of taxpayers QBI D.) Cannot be more than 20% of taxable income after subtracting net capital gains but before 199A Deduction	

Custom Report: All County Tax Services can provide custom reports based upon your 2017 tax information and any known situational changes. These are available for a small fee by contacting All County Tax Services.

Disclaimer: All of the above information is subject to change and will change as the Internal Revenue Service creates Regulations and clarification on all of the subject matter. Please contact All County Tax Services throughout the year with any questions you may have.

All County Tax Services

IRS ENROLLED AGENT