Tax Cuts and Jobs Act of 2017

Business Tax Reform Highlights

The Tax Cuts and Jobs Act of 2017 (the "Act") makes changes to the U.S. tax code and impacts virtually all taxpayers. For businesses, tax benefits include a reduction in the corporate tax rate, increase in the bonus depreciation allowance, an enhancement to the Code Sec.179 expense, and repeal of the alternative minimum tax. Owners of partnerships, S corporations, and sole proprietorships are allowed a temporary deduction as a percentage of qualified income of pass-through entities, subject to a number of limitations and qualifications. On the other hand, numerous business tax preferences are eliminated.

Tax Years Ending on or Before 12/31/17	Tax Years Ending After 12/31/17
Corporations	
Subject to tax of up to 35%.	Maximum tax rate of 21%.
Pass-Through Businesses	
Owners of pass-through businesses pay taxes at the individual rates, with the highest rate at 39.6%.	Owners of pass through businesses will receive a deduction of 20% of qualified business income, subject to various limitations, qualifications, and phase-outs. ***The Act prevents owners of service providers, such as accountants, attorneys and doctors, from receiving this deduction.*** Exception: Modified Qualified Business Deduction for service providers that meet certain income thresholds.
Meals and Entertainment	
Expenses for meals, entertainment, amusement, and recreation are 50% deductible.	***Expenses for entertainment, amusement, and recreation are no longer deductible.*** Exception: meals with clients and for employees are still 50% deductible.
Bonus Depreciation	
50% bonus depreciation on new assets placed in service.	100% bonus depreciation on new or used assets placed in service after 9/27/17 and before 1/1/2023.
Section 179 Depreciation	
Limited to $510,000 of depreciation expense with phase out starting at $2,030,000.	Limited to $1,000,000 of depreciation expense with phase out starting at $2,500,000. Expanded section 179 to include improvements to nonresidential real property (roofs, ventilation, air conditioning, fire protection, alarm systems, and security systems).
Loss Limitation Rules (Excess Business Loss)	
N/A	Excess losses cannot be deducted. Nondeductible losses, carried forward as NOLs. Applied after Passive Activity Rules for non-corporate taxpayers.
Net Operating Loss	
Losses can be carried back 2 years and carried forward for 20 years.	Losses can no longer be carried back and can only be carried forward indefinitely. The NOL deduction is limited to 80% of taxable income.
Section 1031 Like Kind Exchanges	
Applicable to all investment and business property enabling taxpayers to defer taxes on the sale when exchanged for like kind property.	Deferred non-recognition is limited to real property that is not held primarily for sale.

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