In November 2018, Congress passed the Tax Cuts and Job Act, a $1.5 trillion tax bill with temporary tax cuts for individuals and permanent tax breaks for corporations.

According to recent data, the newly passed Act does contain provisions small businesses can take advantage of with some strategic planning. However, businesses will be impacted differently according to size, income, industry and a number of other conditions.

For small businesses, it's necessary to categorize your particular situation and find the right expert to take advantage of the new rules in the tax bill. Even though you may have become familiar with the old tax law, there are too many changes in the new tax bill which may jeopardize your tax liability. Until you know the ins and outs of the new bill as it applies to your business, consult with your tax expert.

Until then, use this infographic to learn about the basics. →

Source: smallbiztrends.com

THE BUSINESS TAX GUIDE

ACCORDING TO THE NEW TAX PLAN

As a business owner, here's the high points you need to know about the most comprehensive tax reform passed in three decades:

PASS-THROUGH INCOME RATE DEDUCTION

This provision provides the most opportunity for strategic planning and has huge potential for small-business owners.

20% deduction on income received from pass-through entities.

Deduction is capped at the greater of:

50% of wages paid - OR - 25% of wages paid plus 2.5% depreciable capital assets

Business classifications and overall income levels can come into play under this new provision. Deadlines can apply.

THE REDUCTION OF THE CORPORATE INCOME TAX RATE

The top tax rate has been slashed from 35% to 21%. This bill also eliminates the corporate Alternative Minimum Tax.

OLD CORPORATE TAX RATE 35% → TOP CORPORATE TAX RATE 21%

OLD INDIVIDUAL TAX RATE 39.6% → TOP INDIVIDUAL TAX RATE 37%

BUSINESS LOAN INTEREST DEDUCTION LIMITED

Now limited to 30% of a business' earnings before interest, taxes, depreciation and amortization.

NET OPERATING LOSSES REDUCED

Elimination of: carrying back net operating losses from business operations two years.

They CAN still be carried forward 20 years, but are now limited to 80% of taxable income.

R&D EXPENDITURES ADJUSTED

Instead of being 100% deductible in the year they are incurred, R&D expenses now have to be taken over five or more years – effective 2022.

HISTORIC REHAB CREDITS PAYOUT ADJUSTED

Buildings in historic districts are still eligible to receive a 20% credit on qualifying expenses, but instead of being paid out in a lump sum, it will be paid out over a 5-year period.

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