

On December 22, 2017, President Trump signed the tax reform bill (*H.R. 1- Tax Cuts and Jobs Act*). Below are a few highlights of interest to the construction industry:

- Reducing the corporate tax rate from 35 percent — to 21 percent;
- Provide a 20 percent deduction on the first \$315,000 of joint income for businesses organized as S corporations, LLCs, and sole proprietors;
- Ensuring trust owners of pass-through businesses are eligible for the deduction;
- Repealing the corporate Alternative Minimum Tax (ATM);
- Substantially increasing the individual AMT thresholds, reducing its overall impact;
- Increasing the “small contractor exemption” from the percentage-of-completion method of accounting to \$25 million;
- Increasing the exemption from the uniform capitalization rules (UNICAP), and availability of cash accounting to \$25 million;
- Preserving the tax exemption for private activity bonds (PABs);
- Preserving a modified version of the historic tax credit;
- Doubling the estate tax exemption level to \$10.98 million;
- Increase bonus depreciation from 50 percent to 100 percent for “qualified property” placed in service after Sept. 27, 2017, and before 2023. The increased expensing would be phased down by 20 percent per year beginning in 2023;
- Raise Section 179 expensing from \$500,000 to \$1 million for “qualified property” in tax years after 2017;
- Limit Section 1031 like kind exchanges to real property only (repeal eligibility of personal property, such as equipment); and
- Preserving the work opportunity tax credit (WOTC).

Below is a link to a comparison chart of the House, Senate, and the Conference Committee Report:

<http://newsmanager.commpartners.com/agcleg/downloads/12-18%20House-Senate%20Tax%20Reform%20Comparison%20v6.pdf>

Source – AGC & ARTBA