**2018 Year-End Tax Planning for Alaska Native Corporations**

Alaska Native Corporations (ANCs) have been impacted by the monumental changes to the federal tax code. To maximize tax savings and ensure compliance with the new rules, ANCs need to engage in year-end planning conversations now to consider all possibilities to effectively lower your total tax liability.

Some of the most impactful measures from tax reform affecting ANCs include:

* The corporate rate was permanently reduced from a maximum rate of 35 percent to one flat rate of 21 percent
* The corporate alternative minimum tax (AMT) was eliminated
* The bonus depreciation rules grant full expensing and have been expanded

**Tax Saving Opportunities for All Businesses**

**Revenue Recognition**

Companies need to be mindful of two major developments that could impact the timing of revenue recognition for federal income tax purposes: (1) the impact of the new financial accounting standards for recognizing revenue and (2) the modifications to the existing revenue recognition rules for accrual method taxpayers enacted as part of tax reform.

It is imperative for taxpayers that have already implemented the standard (or are currently in the process of implementing) to examine whether any tax accounting method changes are necessary to prepare and file such method changes under the automatic procedures in the proper taxable year. Otherwise, if a taxpayer files an accounting method change related to ASC 606 in a non-implementation year, it may need to do so under the non-automatic consent provisions, which entails an IRS user fee, more IRS scrutiny, and an accelerated filing deadline.

**Corporate AMT Repealed**

The 2017 tax reform repealed the corporate AMT, which was imposed on corporations and was added to their regular tax if and to the extent the tentative AMT exceeds the regular tax. Repeal of the corporate AMT is effective for taxable years beginning after December 31, 2017. AMT credits, or a corporation’s previous AMT liabilities, can offset the regular tax liability for any taxable year after 2017 or can be refunded for any taxable year beginning after 2017 and before 2022 for 50 percent of the excess credit for the taxable year (100 percent for taxable years beginning in 2021).

**Interest Expense Deduction Limitation**

For taxable years beginning after December 31, 2017, Section 163(j) generally limits the deductibility of business interest expense to the sum of (1) business interest income for the taxable year; (2) 30 percent of the adjusted taxable income of the taxpayer; and (3) the floor plan financing interest of the taxpayer for the taxable year (applicable to dealers of vehicles, boats, farm machinery or construction machinery).

**Bonus Depreciation**

From time to time, Congress has enacted “bonus” depreciation provisions to give businesses additional first-year depreciation deductions, and thus to provide significant incentives for making new investments in depreciable tangible property and computer software. The 2017 tax reform increases such bonus depreciation allowances from 50 percent to 100 percent for qualified property acquired and placed in service after September 27, 2017, and before 2023 (January 1, 2024, for longer production period property and certain aircraft). In effect, the new rule permits “full expensing” of purchases of qualifying property.

A taxpayer-favorable development is that bonus depreciation is now permitted for both new and used property acquired by purchase, provided the property was not used by the taxpayer before the taxpayer acquired it and it was not used by a related party.

**Tax Saving Opportunities for C Corporations**

Net Operating Losses (NOL) are a valuable corporate attribute. Even NOLs that were not fully reported on a prior year return can be carried forward. However, the ability to use an NOL carryforward may be limited where a loss corporation has experienced a change of stock ownership–for example, as a result of a merger or acquisition, the issuance of new stock, or the acquisition of outstanding stock by one or more 5 percent shareholders. Under tax reform, NOLs from post-2017 taxable years may only be used to offset 80 percent of the corporation’s taxable income in any subsequent taxable year.

**Year-end Alaskan Native Settlement Trust (ANST) Contributions\***

ANCs may deduct contributions made to an ANST. The deduction is limited to the amount of the ANC’s taxable income for that year. Any unused deduction may be carried forward 15 additional years. An ANC makes the election to deduct contributions to an ANST for the taxable year by including a statement with its original or amended income tax return. The election is effective only for the taxable year for which the return is filed. If the refund statute of limitations period expires before December 22, 2018, the ANC has until December 21, 2018, to make a claim for credit or refund.

**Conclusion**

ANC tax planning is very complex. Careful planning involves more than just focusing on lowering taxes for the current and future years. How each potential tax saving opportunity affects the ANC must also be considered. This article cannot cover every tax-saving opportunity that may be available. Inasmuch as taxes are among your largest expenses, we urge you to meet with your BDO advisor. BDO Anchorage office Tax Partner Chad Estes is available to provide a comprehensive review of the tax-saving opportunities appropriate for your particular situation.



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