



TAX REFORM: CORPORATE TAX

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act into law. This law brings the most sweeping round of tax changes since 1986. The most significant change for corporations is moving from the graduated corporate tax rate structure to a flat rate. Although President Trump was originally fighting for the corporate rate to be reduced to 15%, lawmakers settled by reducing the rate from 35% to 21%.

Below is a summary of some of the key points for Corporate Tax:

- The corporate tax rate has been set to 21%, down from a maximum 35% for tax years beginning 1/1/2018.
- Corporate alternative minimum tax (AMT) has been repealed. For tax years beginning after 2017 and before 2022, a portion of the AMT credit is refundable and can offset regular tax liability.
- The dividends received deduction (DRD) has been reduced to 50 and 65 percent.
- Net operating losses (NOL) have been limited to 80% of current year taxable income.
- The bill will eliminate carrybacks (with exceptions) and allow NOLs to be carried forward without expiration.
- Effective after 2017, businesses with gross receipts over \$25 million could see a limitation to their interest expense deduction.
- Domestic production activities deduction (DPAD) has been repealed.
- Like-kind exchange treatment has been limited.
- Bonus depreciation - From September 27, 2017 through December 31, 2022, taxpayers can expense 100% (previously 50%) of qualified business assets placed in service.
- Section 179 Expense - Taxpayers may now expense qualified business assets up to \$1 million (previously \$500,000).
- The new law contains an increased availability of the cash method of accounting.
- The threshold for application of UNICAP and long-term contract accounting has increased.
- The new law further limits the deductibility of certain meals and eliminates the deductibility of most entertainment expenses.

The new law also affects the taxing scheme for international entities and nonprofit entities. Please contact your Warren Averett advisor for more information on how these changes affect your business.

TAX GUIDE

Tax Rate	Married Filing Jointly and Surviving Spouses	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	\$0 - \$19,050	\$0 - \$9,525	\$0 - \$13,600	\$0 - \$9,525	\$0 - \$2,550
12%	\$19,050 - \$77,400	\$9,525 - \$38,700	\$13,600 - \$51,800	\$9,525 - \$38,700	N/A
22%	\$77,400 - \$165,000	\$38,700 - \$82,500	\$51,800 - \$82,500	\$38,700 - \$82,500	N/A
24%	\$165,000 - \$315,000	\$82,500 - \$157,500	\$82,500 - \$157,500	\$82,500 - \$157,500	\$2,550 - \$9,150
32%	\$315,000 - \$400,000	\$157,000 - \$200,000	\$157,000 - \$200,000	\$157,000 - \$200,000	N/A
35%	\$400,000 - \$600,000	\$200,000 - \$500,000	\$200,000 - \$500,000	\$200,000 - \$300,000	\$9,150 - \$12,500
37%	Over \$600,000	Over \$500,000	Over \$500,000	Over \$300,000	Over \$12,500

KEY TAKEAWAYS

- Corporate Tax Rate reduced to 21% - a 40% reduction
- 20% Exclusion on Pass-through income
- 100% Bonus Depreciation
- Doubling of Estate and Gift Tax Exclusion
- Corporate AMT Repeal

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