



TAX REFORM: PASS-THROUGH ENTITY 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. While the focus of the new law is to lower tax rates for corporations and individuals, there are several provisions that affect pass-through entities. The biggest change is the individual exclusion of pass-through income which provides a potential tax break for pass-through entity owners.

Below are the key changes that will affect pass-through owners:

- For some taxpayers, 20% of pass-through income can be excluded from taxable income. There are income limitations and industry limitations that must be applied.
- After many years, there is finally a compromise on the tax treatment of carried interest. Any gain incurred in the first three years will be treated as short term capital gain.
- Limitation to Excess Business Losses - Starting in 2018, excess business losses allocated to individuals in excess of \$500,000 (married) or \$250,000 (single) will be limited. Limited losses will be carried forward to future years. Any future use would be treated like a net operating loss.
- Technical Terminations of Partnerships were eliminated under the law.
- 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- Domestic Production Activities Deduction (DPAD) has been repealed.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 - Under the new bill, taxpayers may now expense under Section 179 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

ABOUT WARREN AVERETT

Warren Averett is one of the largest accounting firms in the Southeastern region, ranking among the top 35 firms in the United States.

With over 800 employees and 350 CPAs, Warren Averett offers depth and experience in a variety of industries including healthcare, manufacturing & distribution, financial services, construction & real estate, government contracting, technology/life sciences and public sector, with services that span beyond audit and tax to include corporate advisory, technology and risk solutions, HR solutions, finance team support and personal services.



For more information addressing the new tax regulations, visit www.warrenaverett.com/taxreform