

## 2018 Business Tax Law Highlights

December 22, 2017 the Tax Cuts and Jobs Act (TCJA) of 2017 was signed into law. The 503 page document is quite extensive and has changes which effect individuals and businesses. Below are some of the business highlights.

- The new law disallows a deduction for an activity generally considered to be **Entertainment**, amusement or recreation; membership dues for any club organized for business, pleasure, recreation or other social purposes; or a facility or portion thereof used in connection with any of the above.
- **Meals allowed as a 50% deduction if**– (1)-food and beverage expenses associated with operating a trade or business for work travel is allowed; (2) food and beverages provided to employees through an eating facility that meets requirements for de Minimis fringes and for the convenience of the employer is allowed, (3) 100% deduction on meals is allowed if reimbursing for costs which are then billed to another (other than an employer).
- **C Corporations** are now taxed at a flat tax rate of 21% on net income after 12/31/17.
- **Employer Family Leave Credit** - 12.5-25% credit available to the employer on the amount of wages paid to a qualifying employee during any period in which the employee is on family and medical leave if the rate of payment is under the program is 50% of the wages normally paid to the employee.
- **New 20% flow through Entity Deduction** for pass through companies, for sole proprietors, partnerships and S-corporations. Limitations apply
- **Alternative Minimum Tax** for business- gone in 12/31/17.
- **168k Bonus Depreciation** is available up to 100% deduction.
- **Luxury car** depreciation increased deduction amounts.
- **Section 179 Deduction** –increased limit to 500k for 2017- increases to 1M after 12/31/17 and business income limit phase out increased to 2.5M.
- **New Qualified Sec 179 Property** - roofs, heating, ventilation, and air conditioning, fire protection and security property.
- **Section 263A** - inventory at cost with cash basis with no capitalization required if under 25M in gross receipts.
- **Domestic Production Activities Deduction** for flow through for individuals is gone after 12/31/17 and for C-Corporate taxpayers is gone after 12/31/18.
- Large employers >50 employees- **insurance mandate** still in place
- **Home Equity Loan** used for S corporation or Schedule C and Schedule E filers - 10T election in year borrowed money using collateral for the line - allows you to follow the tracing rules and deduct the interest to the activity it relates
- **Sale of Self-Created Assets**, such as formulas, patents... after 12/31/17 is tax as ordinary income.
- **Completed Contract Method** allowed with gross income <25M instead using the Percentage of Completion Method.
- Can use **Cash Basis** accounting if gross income averages for the 3 prior years are less than 25M, even if you hold inventory. Must file 3115 change of accounting method for the cash change from accrual.
- **Qualified Improvement Property** is now straight line over 15 years and you can section 179 or take bonus depreciation (Improvements to interior of nonresidential property), combines Qualified Leasehold, restaurant improvement or retail improvement property so no longer separate rules.
- **Net Operating Losses** arising after 12/31/17 are limited to an 80% of taxable income limit with an unlimited carryforward.
- **Like Kind Exchanges** only available on real property. Trade in on Autos must report sale and can deduct full cost of new vehicle purchased.