

Tax Services

Tax Reform for Business Entities

What Tax Reform Could Mean for Your Company

The Tax Cuts and Jobs Act (“TCJA”) could have a substantial impact on virtually everyone, no matter if you are a large company or small business owner. While the TCJA may be overwhelming, Cherry Bekaert is here to help you understand how this new tax law could affect you and your company.

Given the haste with which the 500-plus pages of legislative language were compiled, businesses will likely be forced to interpret difficult provisions without immediate administrative guidance. However, these changes also create a plethora of planning opportunities. Let us be your guide forward!

Rate Structure Changes

- ▶ A 21% corporate tax rate. The current statutory federal rate is 35%
- ▶ Repeal of the corporate Alternative Minimum Tax
- ▶ A deduction of 20% for taxpayers who have domestic qualified business income from a pass-through or sole proprietorship

BEAM: Business Entity Analysis Model

If changes to the tax law leave you concerned for the future, our BEAM can help you be proactive!

1 Assess the impact

Tax reform may bring big changes to your business. The smart thing to do is assess how the current legislation may impact your specific circumstances so that you can make good business decisions and identify planning opportunities.

2 Accelerate deductions

You may want to accelerate deductions now so that you can utilize these benefits at today’s higher rates rather than in the future when they may be lower. Timing is everything!

3 Review accounting methods

A rate reduction could transform your accounting methods changes into permanent benefits. Talk to us today to see which opportunities may exist for you to defer income and accelerate deductions.

...and more!

Depreciation

- ▶ Shortened recovery period from 7 to 5 years for machinery or equipment used for farming
- ▶ Increased depreciation limitations for luxury automobiles and personal use property
- ▶ Increased bonus depreciation to 100% through 2022 with a phase-down starting in 2023
- ▶ Increase of Section 179 expensing to \$1 million with a phaseout starting at \$2.5 million
- ▶ Expansion of qualified Section 179 property to include qualified improvement property and certain improvements (HVAC)

Accounting Methods

- ▶ Change in accounting for long-term contracts
- ▶ Increase in UNICAP threshold to \$25 million
- ▶ Increase in cash method of accounting threshold to \$25 million
- ▶ Increase of the threshold for accounting for inventories to \$25 million

Credits & Deductions

- ▶ Reduction in interest expense deduction
- ▶ Small business exception from deduction on business interest
- ▶ Limitation of net operating loss deduction to 80% of taxable income with no carrybacks
- ▶ Limitation deferral on like-kind exchanges of real property
- ▶ Repeal of the domestic production activities deduction
- ▶ Elimination of deduction for entertainment expenses
- ▶ Preservation of deduction for 50% of meals
- ▶ Preservation of Employer-Provided Child Care Credit
- ▶ Preservation of the Research & Development Tax Credit
- ▶ Preservation of Low-Income Housing Credit
- ▶ Preservation of New Markets Tax Credit
- ▶ Modification of Rehabilitation Credit
- ▶ Modification of the Orphan Drug Credit
- ▶ Preservation of the Work Opportunity Tax Credit
- ▶ Preservation of deduction of unused business credits

Let us be your guide forward

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