

Summary of the Tax Changes for Businesses

- The Corporate tax rate for C Corporations is reduced to 21% from 35%
- First year Bonus Depreciation is increased to 100% (from 50%) effective 9/27/17
- Bonus Depreciation can now be also taken on used equipment, not just new
- Section 179 is now up to \$1 million for purchases up to \$2,500,000
- QBI – Qualified Business Income deduction (QBI) (*See Summary of Corporate Changes*)
 - 20% of qualified business income is excluded from tax, investment income & reasonable compensation from S Corp or guaranteed payments (Partnership) are excluded.
- Phase-out - This new provision provides a 20% deduction on qualified business income. This deduction is taken on the individuals' tax return from taxable income (not an above the line deduction, therefore does not decrease SE tax) and can result from the flow through of income from a sole proprietor, SMLLC, partnership, or S Corporation.
 - The calculation is very complex and can be limited based on taxable income as well as the type of trade/business income that is applicable.
 - A limitation based on W-2 wages and capital is phased in when the **taxpayer's taxable income exceeds a \$157,500 (\$315,000 MFJ) threshold amount**. A disallowance of the deduction with respect to specified service trades or businesses is **also phased in** when taxable income exceeds the threshold amount.
 - These limitations are phased-in if taxable income exceeds the threshold amount but is **below \$207,500 (\$415,000 MFJ)** (the phase-in range).
 - There are a great deal of questions on how this deduction will be applied and more guidance is needed.