Tax Cuts and Job Act (H.R. 1)
Conference Reports Highlights*

BUSINESS TAXATION	
Corporate Tax Rate	• Permanent 21% (effective Jan. 1, 2018)
Business Expensing	• Full and immediate expensing for 5 years – property placed in service on or after Sept. 27, 2017 and before Jan. 1, 2023 • Phases down 100% immediate expensing after 5 years. Phase down schedule is as follows: 80%, 60%, 40%, and 20% • Repeal election to accelerate AMT credits in lieu of bonus depreciation to conform with the corporate AMT repeal • Exception for certain regulated utilities, including certain electric cooperatives • Expands qualifying property to include certain property from film, television, and live theatrical productions
Net Interest Expense Deduction	• Limited to 30% of EBITDA for 5 years. After 5 years, limited to 30% of EBIT • Allow pass-through entities to pass through excess net interest expense to owners • Carried forward indefinitely • Applicable to all taxpayers except small businesses (>$15m), regulated utilities, certain auto dealers, and certain real estate businesses. Farming businesses can elect out of limitation but must depreciate certain property over a lengthier schedule.
Net Operating Loss	• Permitted to offset 80% of taxable income • Carryforward indefinitely • No carryback except for farming trade or business (two years) • Rules applicable to NOLs beginning in 2018

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Domestic Production Activities Deduction	• Repealed for all taxpayers, effective Jan. 1, 2018
Corporate AMT	• Repealed, effective Jan. 1, 2018
Carried Interest	• 3-year holding requirement for partnership interest transferred in connection with services
Bonds	• Private activity bonds – no change to current law • Advance refunding bonds – repealed • Tax credit bonds – repealed
WOTC	• No change to current law
New Markets Tax Credit	• No change to current law
Low Income Housing Tax Credit	• No change to current law
Wind & Solar PTC	• No change to current law
Investment Tax Credit	• No change to current law
Nuclear Production Tax Credit	• No change to current law
30D Plug-in Electric Vehicle Credit	• No change to current law

BUSINESS TAXATION -- MISCELLANEOUS	
Compensation & Employee Benefits	**Limitation on Excessive Employee Remuneration** • Eliminate "performance-based" compensation deduction • Add CFO to covered employees • Provide that once covered by Sec. 162(m), always subject to $1 million deduction cap, even in final year of employment • Transition Rule: Modification does not apply to remuneration under a written binding contract in effect on Nov. 2, 2017 and that has not been materially modified or renewed. **Fringe Benefit Rules** • No deductions allowed for entertainment, recreational or membership dues

	- No deduction allowed for qualified transportation fringe benefits - Limits imposed on food and beverage benefits – no deduction for meals provided for convenience of employer (effective in 2026) **Sec. 127 Tuition Assistance** - No change to current law **Qualified Moving Expenses** - Suspend the exclusion for qualified moving expenses until Jan. 1, 2026 **Dependent Care Assistance** - No change to current law **Adoption Assistance** - No change to current law **Employee Achievement Awards** - No deduction allowed for employee achievement awards in the form of cash and cash equivalents, among others
FIFO Method of Accounting	No change to current law
Insurance	- Changes in Net Operating Loss treatment for life insurance companies to conform to the general NOL carryover rules, carried back for two tax years, carried forward for up to 20 years - Changes in capitalization rules for life insurance policy acquisition expenses: - Extends the amortization period for specified policy acquisition expenses from a 120-month period to a 180-month period - Retains the special 60-month amortization of the first $5 million of expenses - The percentage for annuity contracts is 2.09; the percentage for group life insurance contracts is 2.45 and the percentage for all other specified insurance contracts is 9.20

	Special transition rule for acquisition expenses required to be capitalized in tax years beginning before Jan. 1, 2018
Accounting Methods	- Certain Special Rules for Taxable Year of Inclusion - Require a taxpayer to recognize income no later than the taxable year in which such income is taken into account as income on an applicable financial statement - Codify current deferral method of accounting for advance payments of goods, services, and other specified items provided by the IRS - Direct taxpayers to apply revenue recognition rules under Sec. 451 before applying the OID rules under Sec. 1272

INTERNATIONAL TAXATION	
Dividends Received Deduction	- Applies to foreign-source portion of dividends from a foreign corporation to a U.S. corporation - U.S. corporation must own at least 10% voting stock in the foreign corporation
Interest Expense Deduction	No change to current law – no limitation on deduction of interest by domestic corporations which are members of an international group
Global Intangible Low-Tax Income (GILTI)	- U.S. shareholder of a CFC includes “global intangible low-tax income” (GILTI) in taxable income, similar to Subpart F income. - GILTI is excess of shareholder’s net CFC “test income” over their “net deemed tangible income return.” - Partial foreign tax credit permitted for 80% of foreign income taxes
Deemed Repatriation	15.5% for cash or cash-equivalent 8% for non-cash

Subpart F	• Elimination of inclusion of foreign base company oil related income • Modification of Stock Attribution Rules for CFCs ○ Provides for downward attribution from a foreign person to a related U.S. person.
U.S. Virgin Islands	• Sourcing rule provision not included

INDIVIDUAL TAXATION (Provisions to sunset after Dec. 31, 2025)	
Individual Tax Rates	• Maintain 7-bracket structure • 37%, 35%, 32%, 24%, 22%, 12%, 10%
Standard Deduction	• Increase standard deduction to $12,000 for individuals and $24,000 for couples
Personal Exemptions	• Repealed
Pass-throughs	• 20% pass-through business income deduction
Alternative Minimum Tax	• Maintain AMT for individuals but increases exemption to $500,000 for single filers and $1,000,000 for couples
Child Tax Credit	• Expand CTC from $1,000 to $2,000 • Refundable up to $1,400 – preserves current law age limits • Valid Social Security number required
Child and Dependent Care Tax Credit	• Preserved
Adoption Tax Credit	• Preserved

State and Local Tax Deduction	• Cap deduction at $10,000 – taxpayers can choose to take the deduction for sales, income, or property taxes
Mortgage Interest Deduction	• Cap deduction at $750,000 • No deduction for home equity loans
Estate & Gift Tax	• Double the current gift, state, and GST tax exemption amount from $5 million to $10 million with the amount indexed for inflation after 2011. • Stepped-up basis retained • Gift tax remains at 40% • Effective Jan. 1, 2018
Savings & Retirement	• Repeal of special rule permitting recharacterization of contributions from traditional to Roth IRAs
Charitable Contributions	• Increase the contribution percentage limit to 60%
Pease Limitation	• Repeal of overall limitation on itemized deductions
AOTC	• No change to current law

HEALTHCARE	
Individual Mandate	• Effective repeal by reducing individual shared responsibility payment to zero
Orphan Drug Credit	• Limit the orphan drug credit to 25% of qualified expenses with reporting requirements similar to those in Sec. 48C and Sec. 48D
Medical Expense Deduction	• Lower the threshold for medical expense deductions from 10% to 7.5% for 2 years (2017 and 2018) • Revert to 10% starting on Jan. 1, 2019
Employer Credit for Paid Family and Medical Leave	• Provide a credit for paid family and medical leave. • A maximum leave period of 12 weeks can be taken into consideration for purposes of calculating the credit.

EDUCATION (Provisions set to expire after Dec. 31, 2025)	
ABLE Accounts	• Increase the contribution limit for ABLE accounts made by the account's designated beneficiary. Once the overall contribution limit is reached, an ABLE account's beneficiary can continue to contribution up to the lesser of: ○ The Federal poverty line for a one-person household; or ○ The individual's compensation for the taxable year • Allow the designated beneficiary of the ABLE account to claim the saver's credit for contributions made to the account

529 & ABLE Account Rollovers	• Allow rollovers from Sec. 529 plans to ABLE accounts without a penalty. • The rolled-over amounts count towards the overall contribution limitation for the ABLE account.
Student Debt	• The discharge of student debt on account of death or total disability of the student is excluded from taxable income.
Educator Expenses	• No change to current law (i.e., deduction may not exceed $250)

TAX ADMINISTRATION	

IRS Levy	• Increase the amount of time for returning monetary proceeds from the sale of property that was wrongfully levied. The proposal also extends the time for bringing a civil action for a wrongful levy
	  ○ Current Law: 9 months
	  ○ H.R. 1: 2 years

User Fees for Installment Agreements	• No change to current law
IRS Whistleblower Program	• No change to current law
Whistleblower Awards	• No change to current law

EXEMPT ORGANIZATIONS	
Excise Tax: Net Investment Income	• Impose a 1.4% excise tax on the net investment income of private colleges and universities. • Applied only to institutions with more than 50% of tuition-paying students located in the U.S. • State colleges and universities are not subject to this provision.
Deductions for Donations for Seat Licenses or Ticket Purchases at College Sporting Events	• Repealed
Unrelated Business Income Tax	• Under current law, a tax exempt organization operating multiple unrelated businesses determines its unrelated business taxable income on an aggregate basis. Deductions are then combined and subtracted from gross income. • Under H.R. 1, unrelated business taxable income must be computed separately for each trade or business, so losses from one business cannot offset income from another unrelated business.
Excise Tax: Excess Tax-Exempt Organization Executive Compensation	• Subject tax-exempt organizations to a 21% excise tax on compensation in excess of $1 million paid to any of its 5 highest paid employees for the tax year • Remuneration covered includes cash and the cash value of all remuneration (including benefits), except for payments to a tax-qualified retirement plan and amounts excludable from the executive's gross income. • The excise tax would continue to apply to compensation for such executive so long as the organization pays remuneration to that executive. The excise tax would also apply to excess parachute payments (three times the employee's base or more).

*Source Credit - McGuire Woods Consulting LLC, Russell Sullivan and Harold Hancock, Partners - http://www.mwcllc.com

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