



CPA
CONSULTANTS

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Hello:

The recently enacted Tax Cuts and Jobs Act (TCJA) has altered the tax landscape for a lot of businesses. The changes are extensive, and this letter provides a high-level overview of some of the highlights to keep you informed. Due to the sweeping nature of the changes and the need for continued guidance, we'd like the opportunity to have a personalized conversation with you now to discuss planning opportunities for your specific situation. Additional conversations and tax projections are likely necessary to ensure we maximize your tax benefits. Please call our office at your earliest convenience to schedule a meeting.

New corporate tax rate

The prior-law graduated corporate tax rates have been consolidated into one 21% flat rate. The separate rate for personal service corporations of 35% has been repealed. These changes are effective for tax years beginning after Dec. 31, 2017. For fiscal-year corporations, the calculation of tax will be determined using a blended rate based on the number of months at the old versus the new rate structure.

Alternative minimum tax (AMT) repeal

The corporate AMT has been repealed by the TCJA.

Bonus depreciation and Sec. 179 expensing of fixed assets

Bonus depreciation and Sec.179 expensing of property have been available in varying amounts for quite a while. The new tax law has increased the bonus depreciation percentage to 100% until 2023, where it will decrease by 20% until it reaches zero. Bonus depreciation now applies to both new and used qualified property. The Sec.179 expense limit is now \$1 million of allowable expensing with a total purchase threshold of \$2.5 million. If you purchase more than \$2.5 million in eligible fixed assets during the taxable year, the expense limit allowed will be reduced.

The higher limits and expansion in the definition of property that qualifies for these deductions allows for tax planning opportunities. As part of your planning, we'd like to understand your asset purchasing behavior and plans for the future so we can maximize these deductions for you.

Net operating losses (NOLs)

Under the prior tax law, NOLs could be carried back two years or carried forward for 20 years. Unfortunately, the TCJA repealed the ability to carry back a NOL and claim a refund for already-paid taxes, effective for tax years starting after Dec. 31, 2017. If you have a tax situation that resulted in a NOL, we can advise you of the best options.

Interest expense deductibility

The TCJA introduced a limit in the deductibility of business interest to 30% of taxable income. However, this limitation does not apply to most taxpayers with gross receipts of \$25 million or less. If your gross

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revenues exceed \$25 million, we recommend having a discussion with us about the impact on your business. Regardless, with careful planning, we can help you maximize your deduction.

Entertainment expenses

The TCJA repealed the deduction for business entertainment. This includes expenditures such as taking clients to sporting events and shows and paying for season tickets for various entertainment events. Since these items are no longer deductible, it is very important to have your company's internal accounting set up appropriately. We can help you identify these expenses and treat them correctly on your tax return. And, we are happy to discuss how to account for these internally to streamline your tax compliance reporting.

Like-kind exchange restrictions

The new tax law restricts a like-kind exchange to real property (e.g., buildings and land). Under the prior law, you could utilize a like-kind exchange for tangible personal property and intangible property used in a business or held for investment. Be aware of this change and contact us so we can help you plan accordingly.

Credit for paid family and medical leave

A new credit was created under the TCJA for employers who provide eligible employees paid family and medical leave. You may be providing paid leave for employees already, so please engage with us to determine if your employee benefit qualifies for the new credit. There may be minor adjustments necessary to make your leave policy compliant with the new credit, which we can help you with.

Please call our office to schedule a planning meeting.

While the TCJA is effective now, there are still many uncertainties. Additional technical guidance and regulations are necessary to provide more clarity on some of the changes. The Internal Revenue Service is working to provide that guidance, which we expect later this year.

We are at your disposal to identify opportunities within the new law that apply to you and help steer you away from new pitfalls and challenges. Please call our office today at 424-835-2288 to set up a tax planning meeting. As always, planning ahead can help you minimize your tax bill and position you for greater success.

Sincerely,

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