



# Introduction to the *Tax Cuts and Jobs Act*: Overview of What the New Federal Tax Law Means for Your Business and You

Jon Kurrle, VP of Federal Government Relations  
Kevin Kuhlman, Senior Director of Federal Government Relations

**NFIB**  
The Voice of Small Business®

***DISCLAIMER:***  
***These slides are meant for informational  
purposes only.***  
***They should not be relied upon as tax advice.***



# In this webinar...

- **Business tax changes**
  - *Rates*
  - *Accounting*
  - *Deductions*
  - *Credits*
- **Individual tax changes**
  - *Rates*
  - *Accounting*
  - *Deductions*
  - *Credits*



# Business Tax Changes

*Rates*

*Accounting*

*Deductions*


*Credits*

# Business Rates – Corporations

<u>2017</u>		
Over	But not over	Tax rate
\$0	\$50,000	15%
50,000	75,000	25%
75,000	100,000	34%
100,000	335,000	39%
335,000	10,000,000	34%
10,000,000	15,000,000	35%
15,000,000	18,333,333	38%
18,333,333	....	35%



2018  
ALL taxable  
income will  
be taxed at  
**21%**



# Business Rates – Passthroughs

## Passthrough tax rates

- S-corps, sole-proprietors, partnerships, LLCs  
(not organized as corporations)
- Maintains 7 personal marginal tax rates
- Creates a new 20% passthrough deduction
  - Section 199A
  - “Between the line” deduction

# Section 199A – 20% Passthrough Deduction



- **Deduct up to 20% from Qualified Business Income**
  - Net Income
- **All passthrough businesses up to \$157,500 single / \$315,000 joint**
  - Eligible for full 20% deduction
- **Limitation 1 – Professional Service Corporations**
  - Limited over next \$50,000 single / \$100,000 joint
  - Excluded over \$207,500 single / \$415,000 joint
- **Limitation 2 – Larger Passthroughs**
  - Other industries over \$207,500 single / \$415,000 joint
  - Limited to 50% of total W2 wages in the business



# Business Accounting

## Alternative Minimum Tax (AMT)

- Repeals corporate AMT

## Cash Accounting

- Expands from \$5 m to \$25 m

## Expensing / Depreciation

- Section 179 expensing doubles from \$510,000 to \$1 m
- 100% bonus depreciation of business property





# Business Accounting – Withholding

- Business owners
  - Implement 2018 withholding tables ASAP
  - Deadline – February 15, 2018
- Employees
  - Not required to take extra steps
  - Should review withholding to ensure accuracy
- IRS
  - Revising Form W4; creating new W4 calculator
  - Anticipate further changes to withholding in 2019



# Business Deductions

- **Creates Section 199A – 20% passthrough deduction**
  - **Business State and local taxes (SALT)**
    - Business-related SALT (property and income) still fully deductible for corporations and passthroughs
    - Schedules C, E, and F; Form K-1
  - **Interest deductibility**
    - Below \$25 m – fully deductible
    - Above \$25 m – limited to 30% EBITDA
- X GONE:** entertainment expenses, transportation benefits
- ✓ STAYS:** business meals, home office

# Business Credits

- **Maintains most business credits**
- **Creates Paid Family and Medical Leave Credit**
  - Available for 2018 and 2019
  - Minimum 2 weeks of paid leave
  - Minimum 50% of wage replacement (12.5% credit) to 100% (25% credit)
  - Worked at least 1 year, earned \$72,000 or less
  - Requires separate, written family and medical leave policy





# Individual Tax Changes

*Rates*

*Accounting*

*Deductions*

*Credits*

# Individual Rates

Maintains 7 personal marginal rates; broadens thresholds

<b><u>2017</u></b>		
Rate	Single	Joint
10%	\$9,325	\$18,650
15%	\$37,950	\$75,900
25%	\$91,900	\$153,100
28%	\$191,650	\$233,350
33%	\$416,700	\$416,700
35%	\$418,400	\$470,700
39.6%	> \$418,400	> \$470,700

<b><u>2018</u></b>		
Rate	Single	Joint
10%	\$9,525	\$19,050
12%	\$38,700	\$77,400
22%	\$82,500	\$165,000
24%	\$157,500	\$315,000
32%	\$200,000	\$400,000
35%	\$500,000	\$600,000
37%	> \$500,000	> \$600,000



# Individual Accounting

## Individual AMT

- Increases exemption threshold from \$54,300 to \$70,300 single / \$84,500 to \$109,400 joint
- Increases phaseout thresholds from \$120,700 to \$500,000 single / \$160,900 to \$1m joint

## Estate tax

- Doubles exemption threshold from \$5m to \$11m single / \$11m to \$22m joint
- Maintains stepped up basis

# Individual Deductions

- **Doubles standard deduction**
  - \$6,350 to \$12,000 single / \$12,700 to \$24,000 joint
- **Limits Individual State and local taxes (SALT)**
  - Capped at \$10,000 aggregate (property and income)
  - Schedule A
- **Lowers home mortgage interest deduction**
  - Existing mortgages grandfathered
  - New mortgages capped at \$750,000 aggregate
  - Home equity loan deductibility repealed
- **X GONE:** Misc. itemization; alimony (2019); tax prep; moving
- **✓ STAYS:** Charitable; retirement; medical expense lowered
- **+ NEW:** Eliminates limits on personal deductions (PEP/Pease)



# Individual Credits

- **Doubles child tax credit and expands eligibility**
  - From \$1,000 per child in 2017 to \$2,000 per child in 2018
  - Phaseout begins at \$200,000 single / \$400,000 joint in 2018
  - Repeals personal exemptions
- **Individual mandate penalties for health insurance eliminated beginning 2019 (ACA)**
  - Penalties remain in 2017 and 2018





# Questions?