

Guide to the 2018 Tax Changes

Business/Corporations

1. New Due Dates for Corporate/Business Tax Returns

<u>TYPE</u>	<u>DUE</u>
A. W-2s, 1099-Misc	January 31st
B. 1099-Other	Feb 28th or March 31st
C. 1065 LLC/Partnership Returns	March 15th
D. 1120S S-Corporations	March 15th
E. 1120 C-Corporations	April 15th
F. Sole Proprietors/Disregarded Entities	April 15th
G. FinCen 114	April 15th
H. 990 Non-Profits	May 15th
I. Extensions for all Corporations	September 15th

2. C-Corporations a flat rate of 21% on all profits. The Global average corporate tax rate is about 25%, making U.S. more globally competitive.
3. Pass-through business income which includes sole proprietorships, LLCs, partnerships and S-Corporations will be able to deduct 20% of their pass-through income. There are phase-out income limits that apply to “professional services” business owners such as lawyers, doctors and consultants, which are set at \$157,500 for single filers and \$315,000 for pass-through business owners who file a joint return.
4. For S-Corporations, in order to receive the 20% deduction on the pass-through income, the owners must be W-2 employees of the S-Corporations. Those who are not will not receive the 20% deduction
5. Penalties for Pass-through entities: Partnerships, LLC or S-Corporations filing late returns will be hit with a \$195 per partner/member/shareholder per month beginning with one day late. If you fail to file an extension and do not file your business tax returns till March 16th—March is considered one month late.
6. Deductions for Meals & Entertainment expenses are disallowed in 2018.
7. Corporations will change from a worldwide tax system to a territorial system, meaning U.S. corporation will not have to pay U.S. taxes on their profits earned abroad, eliminating double-taxing of foreign profits.
8. With the new above tax law— in order to bring \$2.6 trillion in U.S. corporations’ foreign profits held overseas, there will be a one-time repatriations rate of 15.5% on cash and equivalent foreign-held assets and 8% on illiquid assets like equipment payable over an eight-year period.

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Businesses/Corporations Continued

9. 179 Depreciation on Qualified Real Property is up \$500,000.

Qualified Real Property consists of 3 types of property:

#1. Qualified Leasehold Improvements made to the interior portion of non-residential buildings are allowed if 3 conditions are met:

A. Improvement is made under or pursuant to a lease either by the lessee, sub-lessee, or lessor of the building portion. Leases between related parties are not treated as leases for this purpose.

B. The portion of the building to be occupied exclusively by the lessee (or sub-) Lessee.

C. The improvement is placed in service more than 3 years after the date in which the building was placed in service.

The following types of structural improvements would be allowable if they benefit the tenant's space only, rather than the common area:

1. Electrical or plumbing systems (including sprinkler systems)
2. Permanently installed lighting fixtures
3. Heating and cooling equipment, air conditioners and other air handling equipment
4. Ceilings and doors

#2. Qualified Retail Improvement Property is generally any improvement to an interior portion of a non-residential building if such portion is open to the general public and is used in the retail business of selling tangible personal property to the general public. It also must be occupied exclusively by the lessee (or sub-lessee) and the improvement is placed in service more than 3 years after the date in which the building was placed in service.

#3. Qualified Restaurant Property must be occupied exclusively by the lessee (or sub-lessee) and more than 50% of the building's square footage must be devoted to the preparation of, and seating for, on-premises consumption of prepared meals.

10. 100% Bonus Depreciation allowed after September 27, 2017. The Tax Cuts and Jobs Act provides a 100% first-year deduction for qualified property acquired and placed in service after 09/27/2017.
11. Film, Televisions and Theatrical Productions placed in service after Sept. 27, 2017 qualified property eligible for 100% first-year depreciation allowance includes qualified film, television and live theatrical productions.
12. Business that are paid \$10,000 in cash for a single transaction must file form 8300. Ex: Marijuana brokers, business which deals with cash or even bitcoin only.