

	OLD LAW	NEW LAW
Tax Rates/Brackets		
Corporate tax rate	Graduated rates with top rate of 35%	Flat 21%
Alternative minimum tax (AMT)	20%	Repeals
Deductions		
Net Operating Loss deduction	May be carried back 2 years and forward 20 years	No carrybacks and indefinite carryforward; limits deduction to 80% of taxable income for NOLs arising in tax years ending after 12/31/17
Section 179 deduction	\$500K limit; phase out begins at \$2M	\$1M limit; phase out begins at \$2.5M; expands qualified property definition
Special "bonus" depreciation	Special depreciation of 50% allowed on <u>new</u> property placed in service before the end of 2017, deduction phased down thereafter	100% expensing allowed for new or used qualified property through the end of 2022 then phase-down of allowed expensing through 2026; effective for property placed into service after Sept 27, 2017
Depreciation for new farming equipment	Generally, 7 yr recovery period using 150% declining balance method	Generally, 5 yr recovery period using 200% declining balance method
Depreciable lives for real property	40 yr ADS recovery period for residential rental property	30 yr ADS recovery period for residential rental property
Dividends Received deduction	70% for < 20% company ownership; 80% allowed for ≥ 20% ownership	50% for < 20% company ownership; 65% allowed for ≥ 20% ownership
Domestic Production Activities deduction	9% of qualifying income	Repealed for tax years beginning after 12/31/17
Business interest expense deduction	Allowed in the taxable year in which the interest is paid or accrued, subject to some limitations	Limited to sum of (business interest income + 30% ATI); indefinite carryforward of disallowed amount
Meals and entertainment deductions	50% deduction allowed for expenses directly connected with the active conduct of business	Repeals entertainment deductions and certain meals exceptions
Employee fringe benefits	Allows deduction	Disallows certain deductions unless included in employee's income
Research and Development (R&D) Expense	Deduction allowed for certain research and development expenses paid or incurred in connection with business	Specified R&D expenses are to be capitalized and amortized over 5 yrs; effective for amounts paid or incurred in tax years beginning after 12/31/2021
Like-kind exchanges	Nonrecognition of gain for LKE	Eliminates except for real property not held primarily for sale
Excessive employee remuneration – Section 162(m)	\$1M deduction limitation; commissions and performance-based compensation excluded	\$1M deduction limitation, eliminates exception for commissions and performance-based comp; covered employee definition revised and expanded
Accounting Methods		
Cash Method	Avg gross receipts < \$5M	Avg gross receipts < \$25M
Completed-Contract Method	Avg gross receipts < \$10M	Avg gross receipts < \$25M
UNICAP	Avg gross receipts < \$10M	Avg gross receipts < \$25M
Accounting for Inventories	Avg gross receipts < \$10M	Avg gross receipts < \$25M