MorrisonCohen LLP

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Client Alert

Tax Cuts and Jobs Act – An Overview

December 27, 2017 – On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Act"). The Act includes significant changes for most taxpayers, including individuals, pass-through entities, corporations, estates, and tax-exempt entities. Most of these provisions become effective for tax years starting after December 31, 2017, and a number of these provisions sunset after several years. Over the coming weeks, Morrison Cohen will be publishing a series of client alerts regarding the details of the Act. Below is a high-level summary of just a few of these new provisions:

Individuals:

- Modifies the income tax brackets, reducing the top rate to 37%.
- Limits the deduction for state and local income taxes, and property taxes (not related to a trade or business) to $10,000 annually.
- Limits the home mortgage interest deduction for new mortgages to $750,000 and eliminates the deduction for home equity indebtedness.
- Modifies and repeals numerous deductions and tax credits.

Businesses:

General

- Expands the bonus depreciation regime to temporarily allow for full expensing of certain purchased property.
- Limits of the deduction for business-related interest payments.
- Repeals the 50% deduction for entertainment and recreation expenses that are directly related to the taxpayer's trade or business.
- Introduces a new deduction for a portion of the qualified business income of individuals, trusts, and estates, which includes income from pass-through entities.

Corporations

- Changes the corporate tax rates from a graduated system with a top rate of 35% to a 21% fixed rate.
- Repeals the alternative minimum tax for corporations.
- Repeals the carryback and extends the carry forward of most net operating losses. Limits the net operating loss carryover deduction to 80% of taxable income.

Pass-Through Entities

- Adds a mandatory three-year holding period in order for carried interest to qualify for long-term capital gains treatment.

International Tax:

- Introduces a participation exemption for dividends from foreign corporations received by certain domestic corporations.
- Imposes a one-time repatriation tax on post-1986 undistributed foreign earnings.
- Introduces aggressive base erosion rules that limit a corporation's ability to make deductible payments to related foreign persons.
- Introduces a new tax regime applicable to the global intangible income of U.S. corporations.
- Expands the scope of the controlled foreign corporation provisions.

Estates:

- Doubles the exemption to $10 million, indexed for inflation occurring after 2011.

Tax-Exempts:

- For purposes of determining unrelated business taxable income, tax-exempt entities will be prohibited from using losses from one trade or business to offset income of another trade or business.

If you have any questions about the recent changes under the Act, please contact us. If you wish you may directly contact our Tax attorneys who are carefully monitoring these changes:

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