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NEWS BRIEF

House and Senate Pass Tax Reform Bill

On Dec. 20, 2017, the tax reform bill, called the **Tax Cuts and Jobs Act**, passed both the U.S. Senate and the U.S. House of Representatives. The bill is now expected to be signed into law by President Trump by the end of the day.

This tax reform bill, drafted based on a tax reform plan that was developed in consultation with the Trump administration, will make significant changes to the federal tax code. Specifically, the tax reform bill will have a substantial impact on businesses.

For example, it:

- **Lowers the corporate tax rate**—Beginning in 2018, the bill reduces the corporate tax rate to 21 percent (down from 35 percent) and eliminates the corporate Alternative Minimum Tax (AMT), in an effort to make American corporations more competitive globally.
- **Creates a new tax deduction for small businesses**—The bill establishes a new 20 percent tax deduction for all businesses conducted as sole proprietorships, partnerships, LLCs and S corporations.
- **Allows "expensing" of capital investments**—The bill allows businesses to immediately write off (or "expense") the cost of new investments for at least five years.
- **Repeals or restrict many existing business deductions and credits**—Because the bill substantially reduces the tax rate for all businesses, it also eliminates the existing domestic production (Section 199) deduction, and repeals or restricts numerous other special exclusions and deductions (including those for employer provided transportation and commuting benefits). However, the bill explicitly preserves business credits related to research and development and low-income housing, as well as deductions or exclusions for employer provided dependent care assistance programs (DCAPs), education assistance programs and adoption assistance programs.
- **Ends "offshoring" incentives**—The bill ends the incentive to offshore jobs and keep foreign profits overseas by exempting them when they are repatriated to the United States. It imposes a one-time, low tax rate on wealth that has already accumulated overseas so there is no tax incentive to keep the money offshore.
- **Repeals the individual mandate tax penalty** imposed under the Affordable Care Act (ACA), effective in 2019.

However, the tax reform bill does not affect the following tax provisions:

- Tax treatment of employer-sponsored health plans; and
- The ACA's Cadillac tax on high-cost employer-sponsored health coverage.

Veritas Risk Services will continue to monitor the tax reform process for any future updates.

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