

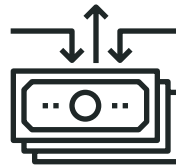
Choice of Entity Considerations Under the *Tax Cuts and Jobs Act*

The *Tax Cuts and Jobs Act* made several changes to the tax law, many of which may affect your choice of entity decisions. Here's a checklist of considerations to keep in mind when doing this analysis. For more information, check out [Episode 9 of Simply Tax, "Tax Reform for Businesses."](#)

Effective Tax Rate

Pass-Throughs

- Seven brackets for individuals
- Top rate of 37 percent
- Self-employment tax
- Limitation on state and local tax deduction
- Built-in gains tax
- Four brackets for trusts/estates
- 20 percent of qualified business income deduction
- Alternative minimum tax
- Limitation on losses
- Distributions to owners



Corporations

- Flat 21 percent rate
- Double taxation
- Personal holding company rules
- Top rate of 23.8 percent on qualified dividends
- Accumulated earnings tax (20 percent)
- Full/partial gain exclusion on qualified small business stock

Future Tax Rate



- Projected taxable income
- "Permanent" corporate/qualified dividend tax rate can be changed with further legislation
- Individual provisions sunset December 31, 2025

Accounting Methods

- Expanded availability of cash method of accounting for C corporations
- Increased threshold for requirement to use uniform capitalization rules for inventory and percentage-of-completion method for long-term contracts



Employee Benefits & Owner Compensation

- Fringe benefits
- Retirement plans
- Reasonable compensation
- Excessive compensation



Ownership & Succession

- Distribution requirements
- Classes of stock
- Preferred return
- Succession plan
- Exit strategy

