



# Heemer, Klein & Company, PLLC

— ACCOUNTING & TAX SERVICES —

## C CORPORATION INCOME TAX

- Taxable income of a C corporation: Taxed at a flat rate of 21%.

## QUALIFIED PERSONAL SERVICE CORPORATION TAX

- Taxable income of a qualified personal service corporation is no longer subject to tax at a flat rate of 35% but is taxed at the regular corporate tax rate of 21%.

## ACCUMULATED EARNINGS TAX

- 20% of accumulated taxable income (in addition to regular corporate income tax).

## PERSONAL HOLDING COMPANY TAX

- 20% penalty on undistributed personal holding company income.
- No foreign tax credit allowed against personal holding company tax.

## SELF-EMPLOYMENT TAX

- Tax rate: 15.3% (12.4% OASDI tax plus 2.9% Medicare tax).
- Surtax: 0.9% Medicare surtax on self-employment income in excess of \$200,000 (single), \$250,000 (married filing jointly), or \$125,000 (married filing separately).
- Wage base: \$132,900 of self-employment income for OASDI (maximum OASDI tax of \$16,479.60; no ceiling on Medicare tax).

## FEDERAL UNEMPLOYMENT TAX

- Tax rate: Employers pay 6% on the first \$7,000 of wages paid to each employee.
- Credit: Maximum amount of 5.4% for contributions paid to state unemployment insurance funds.

## SOCIAL SECURITY TAX

- Tax rate: 7.65%, imposed on both employer and employee (6.2% OASDI tax plus 1.45% Medicare tax).
- Wage base: \$132,900 of wages for OASDI (maximum OASDI tax of \$16,479.60; no ceiling on Medicare tax).

## ESTIMATED TAX

- Corporations owing \$500 or more in income tax for the tax year must make estimated tax payments equaling the lesser of 100% of the prior-year or current-year tax liability. Large corporations must base the last three payments on the current-year tax liability.
- Due on the 15th day of the fourth, sixth, ninth, and 12th months of the corporation's tax year (April 15, June 15, Sept. 15, and Dec. 15 for calendar-year corporations).

## CORPORATE ALTERNATIVE MINIMUM TAX (AMT)

- Starting in 2018, the AMT no longer applies to corporations.

## NONRESIDENT AND FOREIGN CORPORATIONS

- Taxed on U.S.-source investment income at 30% (or lower under treaty).
- Net income effectively connected with a U.S. trade or business taxed at regular U.S. tax rates.
- Accumulated earnings tax of 20% of accumulated taxable income.
- Branch profits tax of 30% on dividend equivalent amount.
- 4% tax on U.S.-source gross transportation income that is not effectively connected with a U.S. trade or business.

## FILING DEADLINES

- Form 1120, *U.S. Corporation Income Tax Return*: April 15 for calendar-year corporations (extension to Oct. 15 available (Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*)); 15th day of the fourth month following the close of the corporation's tax year for fiscal years ending other than June 30 (six-month extension available); Sept. 15 for corporations with a June 30 fiscal year end (extension to April 15 available).

- Form 1065, *U.S. Return of Partnership Income*: 15th day of the third month following the close of the partnership's tax year (six-month extension available (Form 7004)).
- Form 1065, Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.*: Due to partners on or before the date the partnership files Form 1065.
- Form 1120S, *U.S. Income Tax Return for an S Corporation*: 15th day of the third month following the close of the corporation's tax year (six-month extension available (Form 7004)).
- Form 1120S, Schedule K-1, *Shareholder's Share of Income, Deductions, Credits, etc.*: Due to shareholders on or before the date the S corporation files Form 1120S.

### STANDARD MILEAGE RATE

- For business use of auto: 58 cents per mile (note that unreimbursed employee business expenses are no longer deductible as a miscellaneous itemized deduction).
- Deemed depreciation: 26 cents per mile.

### GLOBAL INTANGIBLE LOW-TAXED INCOME

- U.S. persons owning 10% or more of the stock (by vote or value) of a controlled foreign corporation (CFC) must include in currently taxable income "global intangible low-taxed income" (GILTI), effective with the CFC's first tax year beginning after Dec. 31, 2017, regardless of whether any amount is distributed to the shareholder.
- Corporations may claim a deduction of 50% of GILTI.
- U.S. persons owning 10% or more of the stock (by vote or value) of a "deferred foreign income corporation" must increase the foreign corporation's Subpart F income for the last tax year of the foreign corporation that begins prior to Jan. 1, 2018, by an amount equal to its "accumulated post-1986 deferred foreign income." Taxpayers generally may elect to pay the tax resulting from the inclusion in eight annual installments.

### FOREIGN-DERIVED INTANGIBLE INCOME

- Domestic corporations (other than regulated investment companies and real estate investment trusts) can deduct 37.5% of the corporation's "foreign-derived intangible income."

### BUSINESS INTEREST DEDUCTIONS

- Business interest deductions are limited to the sum of (1) business interest income; (2) 30% of the taxpayer's adjusted taxable income for the tax year; and (3) the taxpayer's floor plan financing interest for the tax year.
- Any disallowed business interest deduction can be carried forward indefinitely (with certain restrictions for partnerships).

### NET OPERATING LOSSES

- Limited to 80% of taxable income.
- Can be carried forward indefinitely; cannot be carried back (except for farming businesses).

### LIKE-KIND EXCHANGES

- Limited to real property not primarily held for sale.

### TRAVEL PER-DIEM RATES

- High-low method: \$287 per day (\$71 for meals) through Sept. 30, \$297 per day (\$71 for meals) after Sept. 30, for high-cost localities; \$195 per day (\$60 for meals) through Sept. 30, \$200 per day (\$60 for meals) after Sept. 30, for other localities in the continental United States (CONUS).
- Transportation industry meals and incidentals: \$66 per day (CONUS); \$71 per day (outside CONUS).

### SEC. 179 AND BONUS DEPRECIATION

- Sec. 179 expense deduction: \$1,020,000 with \$2,550,000 threshold limit.
- Bonus depreciation: 100% of the cost of eligible property placed in service in 2019.

### DIVIDENDS-RECEIVED DEDUCTION

- From a domestic corporation: 50%.
- From a corporation owned 20% or more: 65%.
- From a member of an affiliated group when filing a separate return: 100%.
- From a qualified 10%-owned foreign corporation: 50% of the U.S.-source portion; 100% of the foreign-source portion.

### S CORPORATIONS

- Built-in gains tax: Corporate tax rate times net recognized built-in gain (imposed during the recognition period on S corporations that were formerly C corporations).
- Excess net passive income tax: Imposed if an S corporation has accumulated earnings and profits at the end of the tax year and its passive investment income exceeds 25% of the corporation's gross receipts. Corporate tax rate times excess net passive income.
- LIFO recapture amount: Excess (if any) of the inventory amount under FIFO over the inventory amount under LIFO at the close of the S corporation's last C corporation tax year must be included in the corporation's gross income.

## Business auto depreciation limits

For vehicles placed in service during 2019.

	Year 1	Year 2	Year 3	Years 4–6
<b>Passenger automobiles*</b>	\$10,100	\$16,100	\$9,700	\$5,760
<b>Passenger automobiles with bonus depreciation*</b>	\$18,100 <sup>†</sup>	\$16,100	\$9,700	\$5,760

\* Including trucks and vans.

† \$14,900 if acquired before Sept. 28, 2017.