ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

HOUSE BILL VS SENATE BILL– CORPORATE TAXATION

Provision	House Bill	Senate Bill
Tax Rate	• Reduces to 20% • Lowers current Dividends Received Deduction from 70/80 to 50/65	• Reduces to 20%, but delays the effective date until 2019 • Lowers the current Dividends Received Deduction from 70/80 to 50/65
Interest Expense Deduction*	• Limited to 30% of income • Uses EBITDA • Includes a caveat for floorplan interest (Dealers will not be able to utilize full expensing) • Disallowed interest expense can be carried forward for 5 years • Exempts businesses with average gross receipts of $25 million or less	• Limited to 30% of income • Uses EBIT • Includes a caveat for floorplan interest (Dealers will not be able to utilize full expensing) • Disallowed interest expense can be carried forward indefinitely • Exempts small businesses with average gross receipts of $15 million or less
§179 Expense & Full Expensing*	• §179 Expense ○ $5 Million / $20 Million ○ Expires 2023 ○ Includes energy efficient heating and A/C • Full Expensing ○ Allows for the full and immediate expensing of qualified property for 5 years ○ Not available for taxpayers who expense floorplan interest	• §179 Expense ○ $1 Million / $2.5 Million ○ No Expiration Date ○ Includes qualified real property (Roofs, HVAC, fire protection alarm systems, security systems) • Full Expensing ○ Includes for new equipment for 5 years with an annual 20% phaseout each year thereafter ○ Not available for taxpayers who expense floorplan interest

*These provisions would also apply to pass-through business entities.

Provision	House Bill	Senate Bill

Net Operating Losses	• Eliminates the NOL carryback but allows for indefinite carryforwards
	• Limits the applicability of NOL deductions to 90% of taxable income
		• Eliminates the NOL carryback
		• Limits NOL deductions to:
		  ○ 90% of taxable income from 2018-2022
		  ○ 80% of taxable income in 2023

Estate Tax	• Increases the current exemption to $10 million, indexed for inflation, to be fully repealed in 6 years	• Doubles the current exemption

International Taxation	• Income
	  ○ Moves towards a territorial system
	  ○ Includes rules to stop BEPS
	    ▪ 50% of excess returns by controlled foreign corporation in US shareholder's income
	    ▪ Excise tax on payment made to foreign firms unless claimed as ECI
	• Deemed Repatriation
	  ○ Liquid Assets Tax = 14%
	  ○ Illiquid Assets Tax = 7%
		• Income
		  ○ Moves towards a territorial system
		  ○ Anti-abuse rules to prevent BEPS
		    ▪ Minimum tax on the excess of 10% of modified taxable income over an amount equal to regular tax liability
		• Deemed Repatriation
		  ○ Liquid Assets Tax = 14.5%
		  ○ Illiquid Assets Tax = 7.5%

Other Items	• Cash Accounting
	  ○ Increases the eligibility for small businesses to benefit from the use of cash accounting
	  ○ Increases the threshold to $25 million
	• Business Credits & Deductions
	  ○ Eliminates credits for: Orphan Drugs, Energy, Private Activity Bonds, Rehabilitation and Capital Contributions
		• Cash Accounting
		  ○ Increase the eligibility for small businesses to benefit from the use of cash accounting
		  ○ Increases the threshold to $15 million
		• Business Credits & Deductions
		  ○ Modifies credits for: Orphan Drugs and Rehabilitation