

TAX REFORM: IMPACT ON MANUFACTURING AND DISTRIBUTION INDUSTRIES



PROVISION	CHANGE	PROJECTED IMPACT
Corporate Tax Rate	Reduced corporate rates to a flat 21%	Reduces tax burden for C-corp manufacturers
Bonus Depreciation	Now applies to both new and used property acquired after 9/27/17 Increased to 100% for property acquired and placed in service 9/28/17 through 2022	Higher depreciation deductions decrease taxable income, leaving money for additional equipment or facility upgrades
Section 179 Depreciation	Expense limit doubles from \$500,000 to \$1 million Phase-out for assets placed in service increases to \$2.5 million Includes replacements of roofs, HVAC, fire protection & alarm and security systems for non-residential real property	Good for manufacturers incurring large capital expenditures
Net Interest Expense	Businesses subject to disallowance of net interest expense over 30% of adjusted taxable income, EBITDA for 4 years then EBIT after Unlimited carryforward Exemption for businesses under an average of \$25 million in gross receipts and real property trades or businesses	Could affect whether large manufacturers pay cash, finance or lease equipment
Domestic Production Activities Deduction (DPAD)	Eliminated	Most likely will be offset by overall tax rate reduction and new QBI deduction
Qualified Business Income (QBI)	Individuals may take a 20% deduction of QBI from partnerships, S corps and sole proprietorships, subject to limitations	Levels the playing field for flow-throughs and C-corps
Meals and Entertainment Expenses	No deduction allowed for entertainment expenses including, but not limited to, such items as amusement or recreation, facilities or membership dues Qualifying business meals and beverages only allowed a deduction of 50% , including employee meals Employee meals will be fully non-deductible beginning in 2026	Employers will need to adjust 2018 budgets accordingly for new deduction limitations
Net Operating Losses (NOLs)	Can no longer carry back NOLs generated in taxable years beginning after December 31, 2017 NOL carryforward extended from 20 years to indefinitely NOLs now limited to 80% of taxable income	NOLs generated before 2018 will fall under the old law, but new losses will be limited

To learn more about our services or arrange meeting with our team, please contact:

Lesley M. Larsen, CPA 314-655-0174, llarsen@anderscpa.com