

# *What Every Bankruptcy Lawyer Should Know About The Tax Cuts and Jobs Act of 2017*

**37<sup>th</sup> Annual Jay L. Westbrook  
Bankruptcy Conference**

## **Presenters**

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## Tax Cuts and Jobs Act of 2017

- Enacted into law on December 22, 2017
- Most significant changes to the Internal Revenue Code since the Tax Reform Act of 1986
- Changes made to both individual and corporate tax law
- Changes impact both domestic and international tax planning for distressed companies in restructuring situations

# Areas of Impact for Bankruptcy Tax Planning

- Domestic taxation
  - Maximum corporate tax rate reduced from 35 percent to 21 percent
  - Maximum individual tax rates reduced from 39.6 percent to 37 percent, subject to the 20 percent deduction for Qualified Business Income (“QBI”)
  - Limitations on the deductibility of interest expense
  - Limitation on the deductibility of net operating losses
  - 100% expensing for acquisition of certain tangible personal property
- International taxation
  - Move to a “territorial” system instead of “world-wide” system
  - 2017 deemed repatriation of offshore income

## Income Tax Rate Reductions

### Corporations

- Highest corporate tax rate reduced from 35% to 21%
- Highest effective tax rate for individuals receiving qualifying corporate dividends
  - $21\% + (100 - 21) \times 23.8\% = 39.8\%$

Note: (23.8% = 20% qualifying dividends rate + 3.8% net investment income tax)

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