

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

**37th 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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