

# Small Business Notes

Minnesota Department of Employment  
and Economic Development (DEED)

## Pre-Mark-Up Business Provisions in the Proposed “Tax Cuts and Jobs Act” (H.R. 1)

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#### ▪ Pre-Mark-Up Business Provisions in the Proposed “Tax Cuts and Jobs Act” (H.R. 1)

On November 2 the Ways and Means Committee of the U.S. House of Representatives released the text of the proposed “Tax Cuts and Jobs Act” containing the Administrations tax proposals. Much of the initial discussion of that bill has focused on the effect on individuals of things like the reduction of the number of tax brackets and the reduction in tax rates for individual filers. There are, in addition, many provisions of the bill which would have a substantial business impact. Some of these are noted below. Keep in mind that the House will be “marking up” the bill with potential amendments. The Senate is expected to release its proposal on November 8<sup>th</sup>.

- Reduction in the general business income tax rate to 20 percent of taxable income. The tax on income from a personal services corporation (e.g., an S corporation) where income passes through to the owners and tax is paid by the owner on his or her individual return would be 25 percent.
- The depreciation deduction for property placed in service for business purposes expands from 50 percent to 100 percent.
- The amount which may be elected to be expensed under Internal Revenue Code section 179 increases to \$5 million for tax years before January 1, 2023.
- A new exception is given to small businesses from the Section 163(j) limitation on interest deductions to 30 percent of adjusted taxable income.
- Certain self-created intellectual property (e.g., patents, trade secrets) will not be treated as a capital asset.
- The credit for employer provided child care is repealed.
- The New Markets Tax Credit terminates in 2017.
- The favorable tax treatment of some private activity bonds will terminate.

The House leadership and the President have expressed the desire to have a bill for signature on the President’s desk by Thanksgiving.

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