

ICC & CK Joint Presentation 10-30-18

The New Tax Law's Financial Impact On Contractors and Developers

TCJA = Tax Cuts and Job Act.

Might be "Too Complicated Jargon Act"

Bill Passed but regulations still to be written into law and then interpreted.

Section 199A:

- 20% reduction in taxable income for qualified business income from passthrough entities and sole proprietors.
- Contractors are eligible for this deduction.
- Certain limitations based on wages. In general limited to 50% of wages.
- C-corp rates drop from 35% to 21% tax rate but still double taxation.

Bonus Depreciation & Section 179:

- Section 179 increased from \$500k to \$1mill per year
- Bonus depreciation increased from 50% to 100% and used equipment now eligible.
- Both are subject to certain limitations.

Change in accounting methods:

- Small contractor exemption - Average annual gross receipts for POC increased from \$10mill to \$25mill. Many will go back to cash or completed contract.

Tax Credits & Incentives:

- R&D Credits. Homerun for architects and engineers. Have to dig deeper for contractors. Credit is roughly 10% of eligible expenses. 4 part test. Simple Example is a roofing contractor that tests for energy efficiency in order to design and install a system.

- Cost Segregation Study. Accelerates depreciation deduction on real estate. For ex, instead of depreciating over 40 years, can break down components and depreciate them over 5, 7, 15 years. Some may even be eligible for sect 179 or bonus.

