

# Industry Specific Impact of the TCJA

Highlights from Bloomberg Tax

*The tax treatment of businesses under the Act has only increased in complexity, and taxpayers are likely to face trade-offs as they navigate the new provisions. Every business sector has reason to cheer a lower corporate tax rate and repeal of the corporate alternative minimum tax. Changes that will benefit include most business sectors include:*

- *21% corporate tax rate;*
- *Repeal of the corporate alternative minimum tax;*
- *20% deduction for qualified pass-through income;*
- *100% bonus depreciation; and*
- *Enhanced expensing*

*Changes that will likely pose challenges to most businesses include:*

- *Repeal of the domestic production deduction;*
  - *Reduced deduction for net operating losses; and*
  - *Disallowance of like-kind exchanges for transactions involving property other than real estate.*
- . Basic assumptions, such as choice of entity, will need to be re-evaluated. Multinational corporations must employ a new calculus in weighing the relative tax cost of operating in the US as compared to operating in other countries.*

# Banking & Finance

## **Key Considerations**

Reduced corporate tax rate. Effective tax rate estimated to decline by 12%

Repeal or limitation of key deductions. Use of NOLs will be limited and large banks will not be able to deduct FDIC premiums.

Deduction, special tax on overseas profits. After tax on foreign earnings “parked” overseas is paid, foreign earnings may be deemed to be dividends and not taxed in future years.

Base erosion (certain overseas contracts may be subject to tax.)

# Energy & Mining

Here are the top issues for the energy and mining industry:

- Reduced corporate tax rate.
- Bonus depreciation.
- Section 179 expensing.
- Current year inclusion of global intangible low-taxed income by United States shareholders (GILTI)
- Non-tax-related provisions.
- FERC (Federal Energy Regulatory Commission) comments on MLPs on March 15th. Corporate income tax allowance will no longer be allowed to be included in the rates for the cost of service contracts on the basis that MLPs don't pay FIT. For C-Corps, the tax must be reduced

# Manufacturing

## **Key Considerations**

### **Domestic manufacturers expected to be key beneficiaries**

- Reduced corporate tax rate and repeal of corporate alternative minimum tax.
- Repeal of the deduction for domestic production activities.
- Bonus depreciation increased from 50% to 100%.
- Expanded expensing of depreciable assets.
- Research and development tax credit (amortize over 5 years for US research.)
- International considerations. (Base erosion or foreign dividends)

# Retail

## **Key Considerations**

Among the top issues for retailers are:

- Reduced corporate tax rate.
- Effective tax rate is expected to decline by 14%
- Small business accounting method reforms.
- Section 179 expensing and depreciation.
- Base erosion for those with international operations.

# Pharma

## **Key Considerations**

- Reduced corporate tax rate and repeal of corporate AMT.
- Treatment of intangible assets.
- Credits, deductions, and depreciation.
- Amortization of research and experimental expenditures.
- Additional international considerations.

# Tech, Media, Telecom

## **Key Considerations (need to evaluate each corp)**

- Reduced corporate tax rate and repeal of the corporate AMT.
- Bonus depreciation.
- Section 179 expensing.
- Amortization of research and experimental expenditures.
- Base erosion.

# Transportation

## Key Considerations

- Reduced corporate tax rate and dividend exemption system.
- Modifications to net operating loss (NOL) rules.
- Immediate expensing of certain assets.
- Tax exempt status for private activity bonds.
- Limitation on business interest expense deduction.
- Nonrecognition of gain or loss from like-kind exchanges.
- Amortization of research & experimentation expenditures.
- International provisions.

# Utilities

## Key Considerations

- Reduced corporate tax rate and repeal of alternative minimum tax.
- Expanded expensing of depreciable assets.
- Renewable electricity production credit.
- Interest expense deduction.
- Repeal of domestic production activities deduction.
- Tax treatment of pass-through entities.
- Research credit.
- International considerations.
- FERC order on electric transmission rates & gas pipelines

# Other sectors

- Health insurance - mixed impact
- Hospitality - majority are small caps, need to evaluate international exposure
- Insurance - too many variables/ read the report
- Real Estate - effective tax rate will drop by 15%, 20% deduction for pass-throughs
- Construction - favorable, yet mitigated by limitation on business interest expense deduction