The Jaffe Update
Legal News Delivered
A publication of Jaffe Raitt Heuer & Weiss
January, 2018

The Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017 and generally is effective as of January 1, 2018. The Tax Act makes broad changes to the Internal Revenue Code, significantly affecting both individuals and businesses.

In order to maximize potential benefits available under the Tax Act, please contact an attorney in the *Jaffe Tax Practice Group* if any of the following apply:

- **You are the owner of an interest in a partnership, LLC, S Corporation or sole proprietorship** – The Tax Act provides a potential 20% deduction against certain income earned through any of these pass-through entities. If you answer "Yes" to any of the questions listed below, a brief conversation will allow us to determine how to maximize this deduction.
    - *Do you own an interest in an active trade or business (technology, manufacturing, etc.)?*
    - *Do you own a service-based business (legal, medical, accounting, financial services, etc.)?*
    - *Do you own real estate through an entity?*
    - *Do you currently have employees or utilize independent contractors?*
- **You own an interest in a business with a material amount of indebtedness** – The Tax Act generally limits an entity's interest deduction each year to 30% of its income for that year (excluding depreciation). This rule even applies to debt that was outstanding prior to the enactment of the Tax Act. Remedies may be available to avoid or lessen the impact of this rule.
- **You purchased equipment or other depreciable property on or after September 28, 2017 and placed it into service prior to December 31, 2017** – You may be able to take advantage of more generous expensing rules for 2017.
- **You are a U.S. shareholder in a foreign corporation** – The Tax Act may deem the corporation to have distributed all of its pre-2018 earnings to you in your 2017 tax year. In addition, several other Tax Act changes affect holdings of foreign corporations.
- **You created inventions, designs, processes or other similar intangibles** – The Tax Act may tax gain on the disposition of these assets as ordinary income, instead of capital gain.
- **You issue stock options or restricted stock units** – The Tax Act may allow an employee to defer the income tax from the exercise of an option or the settlement of a restricted stock unit for up to 5 years.

Marko Belej
mbelej@jaffelaw.com
248.727.1384

Daniel Soleimani
dsoleimani@jaffelaw.com
248.727.1606

For information regarding the Tax Act's impact on estate gift and tax planning, click here

Jaffe
JAFFE RAITT HEUER & WEISS
27777 FRANKLIN ROAD • SUITE 2500 • SOUTHFIELD, MICHIGAN 48034
PHONE: 248.351.3000 • FAX: 248.351.3082
SOUTHFIELD • DETROIT
ANN ARBOR • NAPLES
www.jaffelaw.com