

A Summary of Changes in Federal Tax Laws for 2017



Prepared by the Taxation Strategic Committee
Oregon Society of CPAs



Oregon Society of Certified Public Accountants

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Introduction

On behalf of the Oregon Society of CPA's Taxation Strategic Committee, it is both an honor and a pleasure that we present an Analysis of Changes in Federal Tax Laws for 2017.

Oregon Society of CPAs (OSCPA) Legislative Analysis

This OSCPAs Legislative Analysis presents Federal tax law changes that have been enacted since the Legislature adjourned from the 2017 session. Unlike most years our focus in this presentation is on the Tax Cuts and Jobs Act of 2017 and not all the acts passed in 2017 that may affect taxes. Our analysis this year is based on the anticipated impact of the various topics in the act. The topics in the high impact section are potentially of more importance to Oregon. The low impact section includes topics that do not affect Oregon or are potentially less important to Oregon. The medium impact topics fall somewhere between the high and low impact topics and may potentially affect Oregon.

Our committee has been presenting the Legislature with this analysis for many years. Our primary objective is to be a technical resource to the Legislature and, secondarily, to promote taxpayer compliance by striving to keep Oregon tax law tied to the Internal Revenue Code. This connection is accomplished by using both a “fixed date conformity” and a “permanent connection.”

Oregon has a long history of conforming to the Internal Revenue Code. This conformity requires that each Legislative Assembly analyze the implications of recent Federal law changes. Occasionally, Federal Acts passed during the last several years, in addition to those passed during the current year, should be considered by the Legislature due to tax implications and the effective dates associated with the Act(s).

Oregon's “permanent connection” applies only to the definition of taxable income. For years beginning on or after January 1, 2011, Oregon is permanently connected to the Internal Revenue Code for the definition of Federal taxable income. One exception to this connection is for the domestic production activities deduction. Typically, we will recommend that Federal changes to provisions that fall outside the definition of taxable income also be changed to conform to the Internal Revenue Code. Some examples of the types of items that would require a law change are tax credits, estimated tax provisions, and net operating loss rules. Many of these provisions are currently tied to definitions in the Internal Revenue Code as of December 31, 2016, and the tie date should generally be updated to December 31, 2017.



Table of Contents

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017.....	Pages 1-79
2. Corporate System Change from Worldwide to Territorial	Pages 80-87
3. Pass-Thru Income Deduction	Pages 88-89
4. Oregon Estate Tax.....	Page 90
5. IRS Guidance	Page 91



1. Summary of Changes in the Tax Cuts and Jobs Act of 2017

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
91 (new), 245A (new), 246, 367, 904, 956, 961, 965	100% Deduction for Foreign-Source Portion of Dividends & Repatriation		<p>U.S. citizens, resident individuals, and U.S. corporations are subject to U.S. tax on worldwide income. U.S. shareholders of foreign corporations are generally not taxed on the income earned by the foreign corporation until the income is distributed as a dividend to the U.S. shareholders.</p> <p>Taxpayers are allowed a foreign tax credit or a deduction for foreign income taxes paid on the income out of which the dividend is paid, but generally only when the foreign earnings are distributed to the U.S. parent or otherwise subject to U.S. taxation. The foreign tax credit generally is available to offset, in whole or in part, the U.S. tax owed on foreign-source income.</p> <p>Section 367(a) provides that if a U.S. person transfers property to a foreign corporation in connection with certain nonrecognition transactions, the foreign corporation will not be treated as a corporation for purposes of determining gain recognition. Section 367(a)(3) provides exceptions to the general rule for transfers of property used in the active conduct of a trade or business; however, the exception does not apply to gain realized on the transfer of assets of a foreign branch of a U.S. person to foreign corporation to the extent that the foreign branch has previously deducted losses. Section 367(a)(3)(C).</p>	<p>The Act provides a 100% deduction for foreign-source portion of dividends received from “specified 10-percent owned foreign corporations” by U.S. corporate shareholders, subject to a one-year holding period. No foreign tax credit (or deduction for foreign taxes paid with respect to qualifying dividends) would be permitted for foreign taxes paid or accrued with respect to a qualifying dividend. Deduction would be unavailable for “hybrid dividends.”</p> <p>The Act repeals the active trade or business exception under Section 367, which generally disallows nonrecognition treatment for transfers of property to a foreign corporation.</p> <p>The Act imposes a mandatory tax on post-86 accumulated foreign earnings held in cash or cash equivalents of 15.5% and on post-86 accumulated foreign earnings held in illiquid assets of 8%. Taxpayers would be able to elect to pay any resulting liability over an eight-year period. Limitations period for assessment of tax on these mandatory inclusions are extended to six years. Recapture rule imposing 35% tax rate on mandatory inclusions of a U.S. shareholder that becomes an expatriated entity within 10 years of Dec. 22, 2017; U.S. shareholders acquired by a surrogate corporation are within the scope of the provision only if the surrogate corporation inverted after Dec. 22, 2017. Accumulated deferred foreign</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	100% Deduction for Foreign-Source Portion of Dividends & Repatriation (cont.)			income would be excluded from REIT gross income tests. REITs would also be permitted to pay resulting liability over eight-year period. Election to preserve NOLs and coordinate NOL, ODL, and foreign tax credit carryforward rules upon transition to participation exemption system. Special rules for S corporation shareholders.
1, 59A (new), 163, 250 (new), 267A (new), 367, 482, 882, 936, 960, 6038A	Base Erosion		<p>Under the Code, U.S. corporations that completed outbound transfers of goodwill, going concern value, or workforce in place received favorable tax treatment.</p> <p>Corporations generally may deduct all of their interest expense. If a corporation capitalizes a foreign subsidiary with debt, the earnings from that debt generally will not be subject to U.S. tax until distributed as a dividend by the foreign subsidiary. Therefore, U.S. corporations can achieve a net U.S. tax benefit by deducting the interest expense currently while deferring U.S. tax on the earnings. Additionally, irrespective of the use of the proceeds of the debt, if the debt is issued by a foreign affiliate rather than by the U.S. entity, the corresponding interest income generally is subject to a statutory 30% withholding tax, which can be reduced under an applicable treaty.</p>	<p>The Act expands the definition of intangible property to include goodwill, going concern value, workforce in place, or any other item the value of which is not attributable to tangible property or the services of an individual.</p> <p>In the case of transfers of multiple intangible properties in one or more related transactions, valuation of the intangible property on an aggregate basis is explicitly permitted if the Commissioner determines that an aggregate basis achieves a more reliable result than an asset-by-asset approach.</p> <p>The Act denies deductions for certain related-party amounts paid or accrued in hybrid transactions or with hybrid entities. Dividends received by an individual shareholder of a surrogate foreign corporation are not eligible for reduced rate on dividends in Section 1(h).</p> <p>The Act imposes tax on “global intangible</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Base Erosion (cont.)			<p>low-taxed income” (GILTI) of U.S. shareholders of CFCs, with a deduction of 37.5% for foreign-derived intangible income (FDII) plus 50% of the GILTI, and the amount treated as a dividend under section 78. Deductions are reduced for tax years beginning after Dec. 31, 2025.</p> <p>The Act imposes a minimum base erosion anti-abuse tax (BEAT) for certain taxpayers. The calculation of the tax is based on the excess of 10% of the modified taxable income over the amount of regular tax liability, which is reduced by certain credits. The 10% rate is 5% for tax years beginning in calendar year 2018, and 12.5% for tax years beginning after Dec. 31, 2025. Certain banks and securities dealers are subject to increased rates.</p>
864	Interest Expense Apportionment		Generally, interest expense may be allocated and apportioned under either the asset method or the modified gross income method. Under the asset method, taxpayers are permitted to use either the tax basis or the fair market value of their assets.	The Act prohibits members of a U.S. affiliated group from allocating interest expense on the basis of the fair market value of assets for purposes of Section 864(e). Instead, the members must allocate interest expense based on the adjusted tax basis of assets. Effective for tax years beginning after Dec. 31, 2017.
1297	PFICs		U.S. shareholders of a passive foreign investment company (PFIC) are taxed on the PFIC's earnings. A PFIC is defined as any foreign corporation (1) 75% or more of the gross income of which is passive, or (2)	The PFIC insurance exception is restricted to foreign corporations that would be taxed as an insurance company if they were U.S. corporations and if loss and loss adjustment expenses, unearned premiums, and certain

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	PFICs (cont.)		at least 50% of the assets of which produce passive income. Among other exceptions, passive income does not include any income that is derived in the active conduct of an insurance business if the corporation is predominantly engaged in an insurance business and would be taxed as an insurance company were it a U.S. corporation.	reserves exceed 25% (or 10% in certain circumstances) of the foreign corporation's total assets.
4985	Stock Compensation of Insiders in Expatriated Corporations		If a shareholder recognizes gain on a transaction described in Section 7874 (and even if the resulting entity is treated as a foreign corporation), then any disqualified individuals will be subject to a 15% excise tax on the value of specified stock compensation (including stock options and stock-linked compensation) held with respect to the former U.S.-incorporated entity.	Excise tax on stock compensation in a corporate inversion would be increased to 20% from 15%.
951, 954, 955, 958, 6038	Subpart F	See Section 2. Corporate System Change from Worldwide to Territorial.	<p>Section 951(b) defines a U.S. shareholder as a U.S. person who owns, or is considered as owning by applying the rules of ownership of Section 958(b), 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation.</p> <p>Foreign shipping income earned between 1976 and 1986 was not subject to current U.S. tax under subpart F if the income was reinvested in certain qualified shipping investments. However, net decreases in</p>	<p>The Act expands the definition of U.S. shareholder to include U.S. persons who own 10% or more of the total value of shares of all classes of stock of such foreign corporation.</p> <p>The Act repeals current taxation of previously excluded qualified investments under Section 955.</p> <p>The Act repeals foreign base company oil related income as subpart F income under Section 954.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Subpart F (cont.)		<p>qualified shipping investments were subject to inclusion in subpart F income.</p> <p>A U.S. shareholder of a CFC is subject to U.S. tax under subpart F on foreign base company oil related income regardless of whether the CFC distributes such income to the U.S. shareholder.</p> <p>Section 958(b)(4) prevents the attribution of stock ownership from a foreign person to a U.S. person.</p> <p>Section 951(a)(1) requires that foreign corporation be a controlled foreign corporation (CFC) for an uninterrupted period of 30 days or more before it is classified as a CFC for tax purposes.</p>	<p>Stock attribution rules for determining CFC status are modified to treat a U.S. corporation as constructively owning stock held by its foreign shareholder.</p> <p>The Act eliminates the 30-day rule in Section 951(a)(1).</p>
864	Tax Gain on the Sale of Partnership Interest on Look-through Basis	Difficult to apply separate Oregon rule	<p>A foreign person engaged in a trade or business in the United States is taxed on income that is “effectively connected” with the conduct of that trade or business (“effectively connected gain or loss”). Partners in a partnership are engaged in the conduct of a trade or business within the United States if the partnership is so engaged.</p> <p>The extent to which the income, gain, or loss is derived from assets used in or held for use in the conduct of the U.S. trade or business and whether the activities of the trade or business were a material factor in</p>	Effective for sales and exchanges after Nov. 27, 2017, gain or loss from the sale or exchange of an interest in a partnership engaged in a U.S. trade or business is treated as effectively connected with a U.S. trade or business to the extent that the transferor would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. Any gain or loss from the hypothetical asset sale by the partnership is allocated to interests in the partnership in the same manner as nonseparately stated income and loss.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Tax Gain on the Sale of Partnership Interest on Look-through Basis (cont.)		<p>the realization of the income, gain, or loss (the “asset use” and “business activities” tests) are factors considered in determining whether income is effectively connected. In determining whether the asset use or business activities tests are met, due regard is given to whether such assets or such income, gain, or loss were accounted for through such trade or business.</p> <p>Special rules apply to treat gain or loss from disposition of U.S. real property interests as effectively connected with the conduct of a U.S. trade or business. Consideration received by the nonresident alien or foreign corporation for all or part of its interest in a partnership that is attributable to a U.S. real property interest is considered to be received from the sale or exchange in the United States of such property. Gain attributable to sales of U.S. real property interests may be subject to withholding tax of 10% of the amount realized on the transfer.</p>	<p>Effective for sales and exchanges after Dec. 31, 2017, the transferee is required to withhold 10% of the amount realized.</p> <p>Under the related grant of regulatory authority, the Secretary may prescribe appropriate regulations or other guidance with respect to exchanges described in Section 332, Section 351, Section 354, Section 355, Section 356, or Section 361</p>
168, 467(e)	Depreciation Deductions for Nonresidential Real Property and Residential Rental Property	Large revenue impact.	<p>The MACRS recovery periods applicable to most tangible personal property range from three to 20 years and generally use the 200% and 150% declining balance methods in calculating depreciation – switching to the straight line method where it yields a larger depreciation balance in the first year</p> <p>There is an alternative depreciation system (ADS), the use of which is required for tangible property used predominantly</p>	<p>The Act:</p> <ul style="list-style-type: none"> eliminates the separate terms “qualified leasehold improvement property”, “qualified restaurant property”, and “qualified retail improvement property” and moves the definition of “qualified improvement property” from Section 168(k) to Section 168(e); intends to, but due to a drafting

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Depreciation Deductions for Nonresidential Real Property and Residential Rental Property (cont.)		outside the United States, certain tax-exempt property, tax-exempt bond financed property, and certain imported property covered by an Executive order. A taxpayer can also elect to use ADS for any class of property for any tax year. Under ADS, all property is depreciated using the straight line method over recovery periods which are generally equal to the class life of the property. Exceptions apply.	omission fails to, provide a 10-year recovery period for all qualified improvement property; <ul style="list-style-type: none"> • intends to, but due to a drafting omission fails to, provide a 20-year ADS recovery period for all qualified improvement property; • requires a real property trade or business that elects out of the interest expense deduction limitation to use ADS to depreciate its nonresidential real property, residential rental property, and qualified improvement property; • requires farming businesses that elect out of the interest expense deduction limitation to use ADS to depreciate property with a recovery period of 10 years or more; and • lowers the ADS recovery period to 30 years for residential rental property. These amendments apply to property placed in service after Dec. 31, 2017.
168(k)(2)(F), 280F	Depreciation Limitation for Luxury Automobiles and Personal Use Property	Large revenue impact.	The annual cost recovery deduction for certain passenger automobiles is limited. For passenger automobiles placed in service in 2017 for which the additional first-year depreciation deduction under Section 168(k) is not claimed, a taxpayer may depreciate a maximum amount of \$3,160 for the year in which the vehicle is placed in service, \$5,100 for the second year, \$3,050	The Act increases the listed property depreciation limits for passenger automobiles placed in service after Dec. 31, 2017, to \$10,000 for the year in which the vehicle is placed in service, \$16,000 for the second year, \$9,600 for the third year, and \$5,760 for the fourth and later years. These amounts will be indexed for inflation for automobiles placed in service after Dec. 31,

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Depreciation Limitation for Luxury Automobiles and Personal Use Property (cont.)</p>		<p>for the third year, and \$1,875 for the fourth and later years in the recovery period. This limit is indexed for inflation and applies to the aggregate deduction for depreciation and Section 179 expensing.</p> <p>Passenger automobiles eligible for the additional first-year depreciation allowance in 2017 may depreciate an additional \$8,000 in the first year the vehicle is placed in service.</p> <p>Special rules apply to listed property. Listed property generally includes passenger automobiles, other property used as a means of transportation, property generally used for entertainment, recreation, or amusement, any computer or peripheral equipment, and any other property of a type specified in Treasury regulations.</p>	<p>2018.</p> <p>The Act removes computer or peripheral equipment from the definition of listed property.</p> <p>These amendments apply to property placed in service after Dec. 31, 2017.</p>
168(b)	<p>Recovery Period for Farming Property</p>	<p>Large revenue impact.</p>	<p>Property used in a farming business is assigned various recovery periods in the same manner as other business property. With some exceptions, any property used in a farming business is subject to the 150% declining balance method.</p>	<p>The Act repeals the requirement that property used in a farming business use the 150% declining balance method, and provides a 5-year recovery period for machinery or equipment used in a farming business, effective for property placed in service after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
179	Section 179 Expensing	Large revenue impact.	Businesses may immediately expense up to \$500,000 (adjusted for inflation - \$510,000 for 2017) of the cost of any Section 179 property placed in service each tax year. If the business places in service more than \$2 million (adjusted for inflation - \$2,030,000 for 2017) of Section 179 property in a tax year, then the amount available for immediate expensing is reduced by the amount by which the cost of such property exceeds \$2 million (as adjusted). Further limitations on the ability to immediately expense this amount may apply based on the business's taxable income for the year.	<p>The Act increases the amount that a taxpayer may expense under Section 179 to \$1 million. The act also increases the phaseout threshold to \$2.5 million. These amounts are indexed for inflation for tax years beginning after 2018. The \$25,000 cost limitation for SUVs is also indexed for inflation for tax years beginning after 2018.</p> <p>The Act expands the definition of qualified real property to include all qualified improvement property and certain improvements (roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems) made to nonresidential real property.</p> <p>These amendments apply to property placed in service in taxable years beginning after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
168(k)	Temporary 100% Expensing for Certain Business Assets	Large revenue impact.	<p>Taxpayers receive an additional depreciation deduction in the year in which it places certain “qualified property” in service (bonus depreciation), effective for property placed in service through 2019 (2020 for certain qualified property with a longer production period). The amount of bonus depreciation is 50% of the cost of such property placed in service during 2017 and phases down to 40% in 2018 and 30% in 2019. Qualified property that is eligible for bonus depreciation is tangible personal property with a recovery period of 20 years or less under the modified accelerated cost recovery system (MACRS), certain off-the-shelf computer software, water utility property, and qualified improvement property.</p> <p>“Specified plants” (certain trees, vines, and plants bearing fruit or nuts) are also eligible for bonus depreciation, when planted or grafted rather than when placed in service. Finally, to be eligible for bonus depreciation, the original use of the property must begin with the taxpayer.</p> <p>Taxpayers may elect out of bonus depreciation. Taxpayers can elect to accelerate the use of their AMT credits in lieu of deducting bonus depreciation.</p> <p>The costs of any qualified film or television production, and the costs of any qualified</p>	<p>The Act extends bonus depreciation through Dec. 31, 2026 (Dec. 31, 2027 for longer production period property).</p> <p>The Act expands the definition of qualified property to include qualified film, television, and live theatrical productions initially released, broadcast, or staged live after Sept. 27, 2017; and to include used property that was not used <i>by the taxpayer</i> before the taxpayer purchased it.</p> <p>The Act excludes from the definition of qualified property certain public utility property and property used in a trade or business that had floor plan financing indebtedness (indebtedness incurred by car dealerships to finance the purchase of motor vehicles) that was deducted as business interest.</p> <p>The Act initially allows 100% bonus depreciation (i.e., full expensing) for property that is both acquired and placed in service after Sept. 27, 2017, reducing the percentage that may be expensed for property placed in service after Dec. 31, 2022 as follows:</p> <p><u>Qualified Property and Specified Fruit- and Nut-Bearing Plants</u></p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Temporary 100% Expensing for Certain Business Assets (cont.)</p>		<p>live theatrical production, are allowed as a deduction (subject to the dollar limitation described below) if the taxpayer so elects, even if it would otherwise be capitalized.</p> <p>Taxpayers receive an additional depreciation deduction in the year in which it places certain “qualified property” in service (bonus depreciation), effective for property placed in service through 2019 (2020 for certain qualified property with a longer production period). The amount of bonus depreciation is 50% of the cost of such property placed in service during 2017 and phases down to 40% in 2018 and 30% in 2019. Qualified property that is eligible for bonus depreciation is tangible personal property with a recovery period of 20 years or less under the modified accelerated cost recovery system (MACRS), certain off-the-shelf computer software, water utility property, and qualified improvement property.</p>	<ul style="list-style-type: none"> • For property placed in service after Sept. 27, 2017, and before Jan. 1, 2023 (before Jan. 1, 2024 for longer production period property), 100% bonus depreciation. • For property placed in service after Dec. 31, 2022, and before Jan. 1, 2024 (after Dec .31, 2023, and before Jan. 1, 2025 for longer production period property), 80% bonus depreciation. • For property placed in service after Dec. 31, 2023, and before Jan. 1, 2025 (after Dec. 31, 2024, and before Jan. 1, 2026 for longer production period property), 60% bonus depreciation. • For property placed in service after Dec. 31, 2024, and before Jan. 1, 2026 (after Dec. 31, 2025, and before Jan. 1, 2027 for longer production period property), 40% bonus depreciation. • For property placed in service after Dec. 31, 2025, and before Jan. 1, 2027 (after Dec. 31, 2026, and before Jan. 1, 2028 for longer production period property), 20% bonus depreciation. <p>Taxpayers may elect 50% bonus depreciation in lieu of 100% bonus depreciation for qualified property placed in service during the first tax year ending after Sept. 27, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
1, 62, 63, 199A (new), 701, 1366, 6662	Pass-Through Tax Treatment	High tax impact, complicated to implement compared to PTE rules.	Businesses organized as sole proprietorships, partnerships, limited liability companies and S corporations are generally treated as pass-through entities subject to tax at the individual owner or shareholder level rather than the entity level. Net income earned by owners of these entities is reported on their individual income tax returns and is subject to ordinary income tax rates, up to the top individual marginal rate of 39.6%.	<p>For tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026, taxpayers who have domestic “qualified business income” (QBI) from a partnership, S corporation, or sole proprietorship are entitled to deduction of the lesser of such QBI or 20% of taxable income. The deduction reduces taxable income, not adjusted gross income, and eligible taxpayers are entitled to the deduction whether or not they itemize.</p> <p>The 20% deduction is also allowed for a taxpayer’s qualified REIT dividends, qualified cooperative dividends, and qualified publicly traded partnership income. Specified agricultural and horticultural cooperatives would also qualify for the 20% deduction, special rules apply. Trusts and estates are eligible for the 20% deduction. Rules similar to the rules under Section 199 (as in effect on Dec. 1, 2017) apply for apportioning between fiduciaries and beneficiaries any W-2 wages and unadjusted basis of qualified property under the limitation based on W-2 wages and capital.</p> <p>Taxpayers with pass-through income from specified service businesses in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, and brokerage services are not eligible for the deduction.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Pass-Through Tax Treatment (cont.)</p>			<p>QBI is all domestic business income other than investment income (e.g., dividends (other than qualified REIT dividends and cooperative dividends)), investment interest income, short-term capital gains, long-term capital gains, commodities gains, foreign currency gains, etc.</p> <p>The deduction is generally limited to the greater of either: (a) 50% of the W-2 wages paid with respect to the qualified trade or business, or (b) the sum of 25% of the W-2 wages with respect to the qualified trade or business plus 2.5% of the unadjusted basis, immediately after acquisition, of all qualified property.</p> <p>“W-2 wages” of a partnership, S corporation, or sole proprietorship would be the sum of wages subject to wage withholding, elective deferrals, and deferred compensation paid by the business during the calendar year ending during the tax year. Thus, if the partnership, S corporation, or sole proprietorship does not pay “W-2 wages,” and the second limitation does not apply, the owner or taxpayer’s deduction would be zero.</p> <p>For this purpose, qualified property is generally defined as tangible property subject to depreciation under Section 167,</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Pass-Through Tax Treatment (cont.)</p>			<p>held by a qualified trade or business, and used in the production of qualified business income.</p> <p>Neither “W-2 wage” limit nor the prohibition on specified services businesses applies to a taxpayer with taxable income not exceeding \$157,500 (\$315,000 in the case of a joint return). These limitations are fully phased in for a taxpayer with taxable income in excess of the threshold amount plus \$50,000 (\$100,000 in the case of a joint return).</p> <p>The deduction expires after Dec. 31, 2025.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
164(b)	State and Local Tax Deduction	State and local guidance needed.	Individuals may claim itemized deductions for state and local government income and property taxes paid. In lieu of the itemized deduction for state and local income taxes, individuals may claim an itemized deduction for state and local government sales taxes.	<p>The Act provides that individual taxpayers may elect to deduct state and local sales, income, or property taxes up to \$10,000 (\$5,000 for a married taxpayer filing a separate return) for tax years beginning after Dec. 31, 2017, and beginning before Jan. 1, 2026.</p> <p>For amounts paid in a tax year beginning before Jan. 1, 2018, with respect to State or local income taxes, beginning after Dec. 31, 2017, the payment is treated as if paid on the last day of the tax year for which such tax is imposed for purposes of applying the limitation of the deduction.</p> <p>The Act also provides that individuals may deduct State, local, and foreign property taxes and State and local sales taxes when paid or accrued in carrying on a trade or business and generally disallows a deduction for individual State and local income, war profits, and excess profits taxes.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – HIGH IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
529	Consolidation of Education Savings Rules	Guidance needed.	Qualified education expenses that may be paid under qualified tuition programs include qualified higher education but not elementary and secondary school expenses.	<p>The Act provides that elementary and secondary school expenses of up to \$10,000 per year are qualified expenses for qualified tuition programs.</p> <p>The provision applies to distributions made after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – MEDIUM IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
807(f)	Adjustment for Change in Computing Life Insurance Reserves		Section 807(c) lists items taken into account in computing life insurance reserves; Section 807(d) describes different reserving methodologies used in computing life insurance reserves, and Section 807(e) provides special rules used in computing life insurance reserves. Section 807(f) requires that if the basis for determining any item listed in subsection (c) changes during a tax year, the resulting difference must be amortized over a 10-year period if it meets a certain threshold.	The Act amends Section 807(f) to treat the change in the basis for determining any item listed in Section 807(c) so that the resulting difference must be taken into account in accordance with the rules under Section 481. Effective for tax years beginning after Dec. 31, 2017.
848	Certain Policy Acquisition Expenses		Life insurance company expenses associated with earning a stream of premium income generally are required to be spread over 10 years. Those expenses are calculated using a simplified method that reflects expense ratios for three broad categories of insurance contracts and are the lesser of a specified percentage of the net premiums received on each of the company's three categories of insurance contracts, or the company's general deductions.	Extends the amortization period for specified policy acquisition expenses to the 180-month period beginning with the first month in the second half of the tax year and modifies the specific percentage of net premiums deductible for certain insurance contracts. Additionally, the Act adds a special transition rule for specified policy acquisition expenses first required to be capitalized in a tax year beginning before Jan. 1, 2018.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – MEDIUM IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
812, 805(4)(4), 807	Life Insurance Company Proration for Dividends Received Deduction		Life insurance companies allocate investment income including dividend income, between the company's share and the policyholders' share. As a result, the dividend received deduction allowed under Section 243 and Section 245 is limited to the company's share under Section 805(a)(4). Section 812 provides the so-called "proration" rules for determining the company's share of dividends.	The Act amends Section 812 to provide that, for purposes of Section 805(a)(4), the term "company's share" means 70%, and for purposes of Section 807, the term "policyholder's share" means 30%, with respect to any tax year beginning after Dec. 31, 2017.
846	Modification of Discounting Rules for Unpaid Losses		Insurance companies must discount unpaid loss reserves by line of business using over a 24-month period and using an applicable federal rate that is published by line of business each year by the Secretary. Insurance companies may elect to use their own loss payment pattern for discounting purposes.	The Act substantially changes the discounting rules applicable to unpaid losses by reducing the number of lines of business to two, changing the amortization period to 60 months and deleting the company election to use its own historical loss payment pattern for discounting purposes.
832(b)(5)	Modification of Property/Casualty Proration Rules		Property and casualty (P&C) insurance companies are required to reduce the losses incurred reserve deduction by 15% of certain items of otherwise excludable income including tax-exempt interest, deductible dividends received, and certain increases in life reserves.	The Act changes the 15% proration factor to an "applicable percentage" 5.25% divided by the top corporate tax rate for the tax year. Thus, for 2018, the factor will be 25%. Effective for tax years beginning after Dec. 31, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **MEDIUM IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
810, 844, 172, 805(5)	Net Operating Losses of Life Insurance Companies		A loss from operations of a life insurance company for any tax year may be carried back up to three tax years and carried forward up to 15 years. An election permits a life insurance company to relinquish a carryback for any loss from operations for any tax year; and if the life insurance company is a new company for the loss year, an operations loss carryover of 18 years is allowed.	The Act repeals the special rules applicable to life insurance companies' loss from operations and requires life insurance companies to calculate net operating losses (NOLs) under Section 172, as amended by the Act, which disallows any carryback of NOLs but allows an indefinite carryforward of losses. The Act also repeals Section 844. Effective for losses arising in tax years beginning after Dec. 31, 2017.
847	Repeal of Section 847 and Estimated Tax Payments of Insurance Companies		Insurance companies may elect to claim a deduction for the difference between the amount of reserves computed on a discounted basis and the amount computed on an undiscounted basis, however then must make a special estimated tax payment equal to the tax benefit attributable to the deduction.	The Act repeals Section 847. Effective for tax years beginning after Dec. 31, 2017.

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – MEDIUM IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
815	Special Rule for Distributions to Shareholders from Pre-1984 Policyholders Surplus Account		The policyholder surplus account (PSA) of a stock life insurance company is a residual account from pre-1984 tax law when life insurance companies were subject to tax under the three-phase system of the Life Insurance Company Act of 1959. The Deficit Reduction Act of 1984 repealed the three-phase system of taxation but did not require life insurance companies to take into income the funds held in existing PSAs, but instead allowed companies to continue to pay tax on distributions from PSAs as amounts were paid out. Under current law, Section 815 requires that distributions by a stock life insurance company from a PSA be added to life insurance company taxable income (LICTI); it also provides an ordering rule that distributions to shareholders of the company are treated as made first out of the shareholders surplus account, then out of the PSA, and last out of other accounts. (Special rules applied for distributions made after Dec. 31, 2004, and before Jan. 1, 2007.)	The Act repeals Section 815 and provides in its place a “phased inclusion” in life insurance company taxable income (LICTI) of any remaining PSA balance held by a stock life insurance company determined as of the close of such company’s last tax year beginning before Jan. 1, 2018. Under the phased inclusion, any company with a PSA balance must include the balance in LICTI ratably over an eight year period beginning with the first tax year beginning after Dec. 31, 2017. Effective for tax years beginning after Dec. 31, 2017.
806	Small Life Insurance Companies		Life insurance companies with assets less than \$500 million may deduct 60% of tentative life insurance company income (LICTI) up to \$3 million. The amount of the deduction is reduced by 15% of so much of the tentative LICT for the tax year as exceeds \$3 million.	The Act repeals the small life insurance company deduction. Effective for tax years beginning after Dec. 31, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – MEDIUM IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
24	Enhancement of Child Tax Credit	Oregon has separate rule, based on Federal rule.	<p>An individual may claim a \$1,000 tax credit for each qualifying child under the age of 17. The aggregate amount of child tax credits that may be claimed is phased out by \$50 for each \$1,000 of AGI over \$75,000 for single filers and \$110,000 for joint filers. Neither the \$1,000 credit amount nor the AGI thresholds are indexed for inflation. The taxpayer must submit a valid taxpayer identification number (TIN) for each child for whom the credit is claimed.</p> <p>To the extent the child tax credit exceeds the taxpayer's tax liability, the taxpayer is eligible for a refundable credit (the additional child tax credit (ACTC)) equal to 15% of earned income in excess of \$3,000. The taxpayer is not required to have a Social Security number (SSN) to claim the refundable portion of the credit.</p>	<p>Under the Act, the child tax credit is increased to \$2,000.</p> <p>The Act provides a \$500 nonrefundable credit for dependents other than qualifying children (generally retaining the current law definition of dependent).</p> <p>The Act increases the threshold modified adjusted gross income amount where the credit would begin to phase out to \$400,000 for married taxpayers filing jointly, and to \$200,000 for other taxpayers. This amount is not indexed for inflation.</p> <p>The Act reduces the earned income threshold for the refundable portion of the credit to \$2,500.</p> <p>The Act provides that the maximum amount of refundable credit per eligible child is \$1,400, and also indexes the maximum amount refundable for inflation.</p> <p>Additionally, the Act requires that a taxpayer provide the social security number of each qualifying child that is claimed on a tax return in order to receive the child tax credit.</p> <p>All provisions are effective for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **MEDIUM IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
163(j)	Limitation on Business Interest Expense Deduction	Difficult to apply separate Oregon rule.	Business interest is generally allowed as a deduction in the tax year in which the interest is paid or accrued, subject to a number of limitations.	<p>The Act limits the deduction for net interest expense incurred by a business to the sum of business interest income, 30% of adjusted taxable income, and floor plan financing interest.</p> <p>Businesses with average annual gross receipts of \$25 million or less are exempt from the limit. Disallowed interest may be carried forward indefinitely.</p> <p>The Act allows real property trades or businesses that use the ADS and farming businesses to elect not to be subject to the business interest deduction limit.</p> <p>The interest deduction limit does not apply to certain regulated public utilities.</p> <p>These amendments apply to tax years beginning after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – MEDIUM IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
213	Medical Expense Deduction	Oregon has separate medical expense rules.	Taxpayers may claim itemized deductions for out-of-pocket medical, dental and related expenses of the taxpayer, a spouse, or a dependent not compensated for by insurance. This deduction is allowed only to the extent the expenses exceed 10% of the taxpayer's adjusted gross income. A special rule applicable to taxpayers (or their spouses) who have attained the age of 65 before the close of tax years beginning after Dec. 31, 2012 and ending before Jan. 1, 2017, reduced the floor to 7.5%. This rule is disregarded, however, for the purposes of computing the alternative minimum tax.	For tax years beginning after Dec. 31, 2016, and ending before Jan. 1, 2019, the Act reduces the medical expense deduction floor to 7.5% of adjusted gross income and eliminate the minimum tax preference.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **MEDIUM IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
62, 67(g) (new)	Miscellaneous Itemized Deductions – 2 Percent Floor	Oregon has separate rules regarding state income tax deduction.	<p>A taxpayer may deduct certain expenses as miscellaneous itemized deductions. The deduction claimed is the portion of the sum of the expenses that exceeds 2% of the taxpayer's adjusted gross income (AGI). The expenses which qualify generally fall into the categories of unreimbursed employee expense; tax preparation fees; and other expenses paid to produce or collect income that is included in the taxpayer's gross income or expenses to manage, conserve, or maintain property held for producing income, or expenses to determine, contest, pay, or claim a refund of any tax.</p> <p>Eligible educators (kindergarten through grade 12) can deduct up to \$250 of qualified expenses, independently of the 2% miscellaneous itemized deductions.</p>	The Act suspends all miscellaneous itemized deductions that are subject to the 2% floor under present law for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **MEDIUM IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
163(h)	Mortgage Interest Deduction		Taxpayers may claim itemized deductions for mortgage interest paid with respect to a principal residence and one other residence of the taxpayer. Taxpayers who itemize their deductions may deduct interest payments on up to \$1 million in acquisition indebtedness (for acquiring, constructing, or substantially improving a residence), and up to \$100,000 in home equity indebtedness. Under the alternative minimum tax (AMT), however, the deduction for home equity indebtedness is disallowed.	<p>The Act reduces the mortgage interest deduction to interest on \$750,000 of acquisition indebtedness interest for debt incurred after Dec. 15, 2017. The \$1 million limitation remains for older debt. The deduction is not limited to interest on a taxpayer's principal residence. For tax years beginning after Dec. 31, 2025, the limitation reverts back to \$1,000,000 regardless of when the debt was incurred.</p> <p>The Act suspends the mortgage interest deduction for interest on home equity indebtedness for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.</p>
132(f)(8), 274	Qualified Bicycle Commuting Reimbursement		Qualified bicycle commuting reimbursements of up to \$20 per month are excludible from an employee's gross income. Amounts that are excludible from gross income for income tax purposes also are excluded from wages for employment tax purposes.	Suspends the exclusion from gross income and wages for qualified bicycle commuting reimbursements. Effective for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
471	Accounting for Inventories	Difficult to apply separate Oregon rule.	Businesses where the production, purchase, or sale of merchandise is a material income-producing factor must account for inventories and must also use the accrual method as their overall method of accounting. Taxpayers with average gross receipts of less than \$10 million for the prior three taxable years may account for inventory as materials and supplies that are not incidental if they are not otherwise prohibited from using the cash method as their overall method of accounting under Section 448. Certain industries are still required to account for inventories if their average gross receipts exceed \$1 million.	Effective for tax years beginning after Dec. 31, 2017, taxpayers with average gross receipts of less than \$25 million (indexed for inflation) for the prior three taxable years are exempt from the requirement to account for inventories under Section 471, regardless of entity structure or industry. Such taxpayers may either treat inventories as materials and supplies that are not incidental or conform to the taxpayer's financial accounting treatment. Application of this provision is a change in method of accounting under Section 481.
460	Accounting for Long-term Contracts	Difficult to apply separate Oregon rule.	Contractors with average gross receipts of less than \$10 million for the three prior taxable years are classified as "small contractors" and are exempt from the requirement to use the percentage-of-completion method of accounting for long-term construction contracts to be completed within two years, and may instead use the taxpayer favorable completed contract method or other applicable methods.	Effective for contracts entered into after Dec. 31, 2017, the act amended Section 460 to allow taxpayers with average gross receipts of less than \$25 million (indexed for inflation) for the prior three taxable years an exemption from the requirement to use the percentage-of-completion accounting method for long-term construction contracts to be completed within two years, regardless of entity structure. Taxpayers that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method). Application of this provision applies on a cutoff basis and does not result in an adjustment under Section 481.

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
448, 447	Cash Method of Accounting	Difficult to apply separate Oregon rule.	Corporations and partnerships with corporate partners are prohibited from using the cash method of accounting unless they meet an average gross receipts of less than \$5 million for the prior three taxable years, for all post 1985 years. Certain farming entities are prohibited from using the cash method if average gross receipts exceed \$1 million. Family farm corporations are permitted to use the cash method if average gross receipts do not exceed \$25 million. Qualified personal service corporations are generally permitted to use the cash method regardless of gross receipts.	Effective for tax years beginning after Dec. 31, 2017, taxpayers with average gross receipts of less than \$25 million (indexed for inflation) for the prior three taxable years are permitted to use the cash method of accounting, regardless of entity structure or industry. Repeals the requirement that corporations and partnerships with corporate partners satisfy the average gross receipts requirement for all prior years. Application of this provision is a change in method of accounting under Section 481.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
451, 1271-1288	Other Accounting Methods	Difficult to apply separate Oregon rule.	<p>To compute original issue discount (OID) and the portion of OID allocable to a period, the stated redemption price at maturity and the term must be known. Issuers of OID instruments accrue and deduct the amount of OID as interest expense in the same manner as the holder.</p> <p>If a taxpayer holds a pool of credit card receivables that require interest to be paid only if the borrowers do not pay their accounts by a specified date (“grace-period interest”), the taxpayer is required to accrue interest or OID on such pool based upon a reasonable assumption regarding the timing of the payments of the accounts in the pool. Under these rules, certain amounts (other than grace period interest) related to credit card transactions, such as late-payment fees, cash-advance fees, and interchange fees, have been determined to create OID or increase the amount of OID on the pool of credit card receivables to which the amounts relate.</p> <p>Taxpayer may defer income related to advance payments when the taxpayer receives payment before the taxpayer provides goods or services to its customer. The exceptions allow tax deferral to mirror financial accounting deferral.</p>	<p>Effective for tax years beginning after Dec. 31, 2017, the all events test with respect to any item of gross income is not treated as met any later than the tax year in which that item is taken into account as revenue in an applicable financial statement or other financial statement specified by the IRS. An exception applies for any item of income for which a special method of accounting is used (other than the special methods of accounting for bonds and other debt instruments contained in Section 1271- Section 1288). Thus, taxpayers are required to apply the revenue recognition rules under Section 451 before applying the rules under Section 1271- Section 1288 (including the OID rules under Section 1272). An exception applies to any item of gross income in connection with a mortgage servicing contract.</p> <p>In the case of income from a debt instrument having OID, these rules apply to tax years beginning after Dec. 31, 2018, and any Section 481 adjustment made due to a change in method of accounting would be taken into account over six years.</p> <p>Codifies the current deferral method of accounting for advance payments for goods and services provided under Rev. Proc. 2004-34, which allows taxpayers to defer the inclusion of income associated with</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Other Accounting Methods (cont.)			certain advance payments to the end of the tax year following the tax year of receipt if such income also is deferred for financial statement purposes.
1016, 7702	Clarification of Tax Basis of Life Insurance Contracts	Difficult to apply separate Oregon rule.	Life insurance contracts were not generally widely bought and sold prior to the burgeoning of the AIDS epidemic when a market developed for individuals to cash out their life insurance policies to someone other than the issuing company. General basis determination rules applied, but there was not great certainty regarding basis determination.	The Act adds a new provision that requires proper adjustment be made for “mortality, expense or other reasonable charges incurred under an annuity or life insurance contract.” Effective for transactions entered into after Aug. 25, 2009.

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
807	Computation of Life Insurance Tax Reserves	Difficult to apply separate Oregon rule.	Section 807(c) lists items taken into account in computing life insurance reserves; Section 807(d) describes different reserving methodologies used in computing life insurance reserves, and Section 807(e) provides special rules used in computing life insurance reserves.	<p>The Act amends Section 807(c), (d), and (e) with respect to the computation of life insurance tax reserves. The Act changes the appropriate rate of interest for discounting reserves held under certain insurance and annuity contracts to the highest rate or rates permitted to be used to discount such reserves by the NAIC as of the date the reserve is determined. The Act changes the maximum amount of any life insurance reserve that can be deducted for federal tax purposes and adds a similar cap on the maximum deductible life insurance reserve for variable contracts; the Act changes the determination date for reserve methods prescribed by the NAIC; and amends the special rules regarding supplemental benefits and substandard risks; the Act adds a new reporting requirement with respect to reserves and reserving methodologies.</p> <p>Effective for tax years beginning after Dec. 31, 2017 with transition relief.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
25B, 529A	Contributions to ABLE Accounts	Difficult to apply separate Oregon rule.	<p>Qualified ABLE programs are tax-favored savings programs intended to benefit disabled individuals. Contributions to ABLE accounts are not deductible and generally may not exceed the annual gift tax exclusion amount (\$14,000 per donee for 2017). Contributions must also not exceed limits imposed on accounts under the qualified tuition program of its respective state, and a qualified ABLE program must provide safeguards to ensure such. Income on ABLE accounts is not subject to current income tax.</p> <p>The saver's credit is a nonrefundable tax credit for eligible taxpayers for qualified retirement savings contributions. The maximum annual contribution eligible for the credit equals \$2,000 per individual, and the credit rate depends on the adjusted gross income (AGI) of the taxpayer. The saver's credit is in addition to any deduction or exclusion that would otherwise apply with respect to the contribution.</p>	<p>The Act increases the contribution limit to ABLE accounts under certain circumstances. Once the overall limitation on contributions is reached, the designated beneficiary may contribute an additional amount, up to the lesser of the federal poverty line for a one-person household, or the individual's compensation for the tax year.</p> <p>The Act permits the designated beneficiary to claim the saver's credit for contributions made to his or her ABLE account.</p> <p>The Act requires that a designated beneficiary, or a person acting on behalf of a designated beneficiary, maintain adequate records to ensure that additional ABLE account contributions do not exceed the lesser of the federal poverty line for a one-person household or the individual's compensation for the tax year. The designated beneficiary, or a person acting on behalf of the designated beneficiary, is also obligated to ensure compliance with the additional contribution limitation.</p> <p>Effective for tax years beginning after Dec. 22, 2017, with a sunset after Dec. 31, 2025.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
529	Rollovers from Qualified Tuition Programs to Qualified ABLE Programs	Difficult to apply separate Oregon rule	<p>Owners of qualified tuition programs under Section 529 can rollover the funds to another account without subjecting the funds to income tax. Rollovers to qualified ABLE accounts under Section 529A are not permitted.</p> <p>Qualified ABLE programs are tax-favored savings programs intended to benefit disabled individuals. They are established and maintained by state agencies (or instrumentalities thereof), and must meet certain conditions.</p>	<p>The Act permits taxpayers to roll over amounts from qualified tuition programs (Section 529 accounts) to ABLE accounts without penalty, but only if the designated beneficiary (or member of the beneficiary's family) of the qualified tuition plan owns the ABLE account. Such amounts count toward the overall limitation on contributions to an ABLE account within a tax year, and any amount in excess is included in the distributee's gross income.</p> <p>Effective for distributions Dec. 22, 2017, with a sunset before Jan. 1, 2026.</p>
1014, 2001-2210, 2502, 2505	Estate and Gift Taxes	See Section 4. Oregon Estate Tax.	For decedents dying and gifts made before 2018 and after 2025, the federal estate and gift tax unified credit basic exclusion amount is set at \$5 million, adjusted for inflation from a base year of 2010 (\$5.49 million for decedents dying and gifts made in 2017).	The Act increases the federal estate and gift tax unified credit basic exclusion amount to \$10 million (adjusted for inflation from the same 2010 base year), effective for decedents dying and gifts made after 2017 and before 2026.
2601-2664	Generation-Skipping Transfer Tax		For transfers made before 2018 and after 2025, the federal GST exemption amount is equal to \$5 million, adjusted for inflation from a base year of 2010 (\$5.49 million for transfers made in 2017).	The Act increases the federal GST exemption amount to \$10 million (adjusted for inflation from the same 2010 base year), effective for generation-skipping transfers made after 2017 and before 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
149(d)	Advance Refunding Bonds		Interest on advance refunding bonds is generally not taxable for governmental bonds but is taxable for private activity bonds.	The Act repeals the exclusion from gross income of interest on a bond issued to advance refund another bond. Effective for advance refunding bonds issued after Dec. 31, 2017.
5000A(c)	Affordable Care Act Individual Mandate	Oregon has no comparable rule.	Individuals are personally responsible for obtaining for themselves and their dependents health care coverage on a monthly basis that meets the requirements for minimum essential coverage. A tax penalty applies unless the individual purchases health insurance or is exempt from the penalty.	Reduces the amount of the individual shared responsibility payment enacted as part of the Affordable Care Act to zero. Applies to months beginning after Dec. 31, 2018.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
4261	Aircraft Management Services	Impacts excise tax, and Oregon doesn't have a similar tax.	<p>An excise tax is imposed on amounts paid for taxable transportation (generally, air transportation that begins and ends in the United States). Generally, for domestic flights, the tax consists of (1) a 7.5% ad valorem tax applied to the amount paid and (2) a flat dollar amount for each flight segment (consisting of one takeoff and one landing).</p> <p>Generally, aircraft management services companies provide aircraft owners, among other things, with administrative and support services (such as scheduling, flight planning, and weather forecasting), aircraft maintenance services, pilots and crew, and regulatory compliance.</p> <p>Aircraft owners generally pay aircraft management services companies a monthly fee to cover the fixed expenses of maintaining the aircraft and a variable fee to cover the cost of using the aircraft.</p>	<p>The Act exempts certain payments related to the management of private aircraft from the excise taxes imposed on taxable air transportation. Exempt payments include amounts paid by an aircraft owner for management services related to maintenance and support of the owner's aircraft or flights on the owner's aircraft.</p> <p>Effective for amounts paid after Dec. 22, 2017.</p>
5041(b)	Alcohol Content of Wine for Excise Taxation		<p>Still wines containing not more than 14% alcohol-by-volume are taxed at the lowest rate of tax for wine: \$1.07 per wine gallon. Still wines containing more than 14% alcohol-by-volume but less than 21% alcohol-by-volume are taxed at the second-lowest rate of tax for wine: \$1.57 per wine gallon.</p>	<p>The Act modifies the first two wine excise tax rate tiers by increasing the alcohol-by-volume content to 16%. "Still wine" up to 16% alcohol-by-volume is taxed at the lowest rate: \$1.07 per wine gallon.</p> <p>These provisions apply to wine removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
215	Alimony Payments Deduction	Difficult to apply separate Oregon rule.	Alimony payments generally are allowed as above-the line deductions for the payor, and are included in the income of the payee. However, alimony payments are neither deductible by the payor, nor includible in the income of the payee, if designated as such by the divorce decree or separation agreement.	The Act eliminates the current above-the-line deduction for alimony payments. The Act does not require the payee receiving alimony payments to include alimony payments into income. This provision is effective for divorce decrees, separation agreements, and certain modifications entered into after 2018.
174, 6652(q) (new)	Amortization of Research and Experimental Expenditures	Difficult to apply separate Oregon rule.	Taxpayers may elect either to deduct current research or experimental expenditures paid or incurred in connection with a present or future trade or business or to treat such expenditures as deferred expenses and amortize these costs over a period of not less than 60 months.	Specified research or experimental expenditures, including software development expenditures, are capitalized and amortized ratably over a five-year period (15 years if attributable to research conducted outside of the United States). Land acquisition and improvement costs, and mine (including oil and gas) exploration costs, are not subject to this rule. Upon retirement, abandonment, or disposition of property, any remaining basis continues to be amortized over the remaining amortization period. Applies on a cutoff basis to expenditures paid or incurred in tax years beginning after Dec. 31, 2021.

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
704	Basis Limitation on Partner Losses	Difficult to apply separate Oregon rule.	A partner's distributive share of partnership loss is limited to the adjusted basis of the partner's interest in the partnership tax year in which the loss occurred. However, under current regulations, foreign taxes paid and charitable contributions made are not taken into account in applying the basis limitation on partner losses.	Effective for partnership tax years beginning after 2017, the basis limitation on the deductibility of partner losses applies to a partner's distributive share of charitable contributions and foreign taxes, which are exempted from such limitation under the current regulations. Does not apply to the excess of fair market value over adjusted basis on charitable contributions of appreciated property.
83, 1061 (new), 1062 (redesignated)	Carried Interest or Recharacterization of Certain Gains in the Case of Partnership Profits Interests Held in Connection with Performance of Investment Services	Difficult to apply separate Oregon rule.	An owner of a partnership interest who receives payments in connection with the performance of services is entitled to long-term gain treatment upon the sale of partnership interests held for greater than one year. This is typically known as a carried interest.	<p>For tax years beginning after Dec. 31, 2017, a three-year holding period applies in the case of certain net long-term capital gain with respect to any applicable partnership interest held by the taxpayer, notwithstanding the rules of Section 83 or any election in effect under Section 83.</p> <p>Treats as short-term capital gain taxed at ordinary income rates the amount of the taxpayer's net long-term capital gain with respect to an applicable partnership interest for the tax year that exceeds the amount of such gain calculated as if a three-year (not one-year) holding period applies. In making this calculation, the provision takes account of long-term capital losses calculated as if a three-year holding period applies.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
118	Certain Contributions by Governmental Entities Not Treated as Contributions to Capital	Difficult to apply separate Oregon rule.	The gross income of a corporation generally does not include contributions to its capital. Contributions to aid in construction and contributions as a customer or potential customer are not contributions to the capital of a corporation. An exception applies contributions to aid in the construction of a regulated public utility that provides water or sewage disposal services are tax-free contributions to the capital of a corporation.	Provides that term “contributions to capital” does not include (1) any contribution in aid of construction or any other contribution as a customer or potential customer, and (2) any contribution by any governmental entity or civic group (other than a contribution made by a shareholder as such). Modifies, but preserves Section 118, which continues to only apply to corporations. Effective for contributions made after Dec. 22, 2017, except for contributions made after Dec. 22, 2017, by a governmental entity pursuant to a master development plan that has been approved prior to such date by a governmental entity.
641, 642, 170	Charitable Contribution Deduction for Electing Small Business Trusts (ESBT)	Difficult to apply separate Oregon rule.	For tax years beginning before Jan. 1, 2018, charitable contribution deductions made by an ESBT are governed by the rules under Section 642 that are applicable to trusts generally. Those rules allow trusts an unlimited deduction for charitable contributions or amounts set aside for charitable purposes.	The Act provides that the charitable deduction of an ESBT will no longer be determined by the rules generally applicable to trusts, but would be determined by the rules applicable to individuals. As a result, the percentage limitations and carryforward provisions applicable to individuals apply to charitable contributions made by the portion of an ESBT holding S corporation stock. The provision would apply to tax years beginning after Dec. 31, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
170	Charitable Contributions	Difficult to apply separate Oregon rule.	<p>For tax years beginning before 2018 and after 2025, the limitation on the deduction for cash contributions made to public charities, private operating foundations, and private distributing foundations is 50% of AGI. The deduction for cash contributions to private nonoperating foundations is limited generally to 30% of AGI.</p> <p>For contributions made in tax years beginning before 2018, a taxpayer who receives the right to purchase tickets to an educational institution's athletic events in exchange for a contribution to the educational institution is permitted to deduct 80% of the amount contributed.</p> <p>For contributions made in tax years beginning before Jan. 1, 2017, a taxpayer is not required to substantiate a charitable contribution with a contemporaneous written acknowledgement from the charity if the donee organization files a return reporting required information on the donation.</p>	<p>The Act increases the AGI limitation on cash contributions from 50% to 60%, effective for contributions made in tax years beginning after 2017 and before 2026.</p> <p>The Act repeals the current 80% deduction for contributions made for university athletic seating rights, effective for contributions made in tax years beginning after 2017.</p> <p>The Act also repeals the exception to the contemporaneous written acknowledgement requirement for contributions of \$250 or more when the donee organization files the required return, effective for contributions made in tax years beginning after Dec. 31, 2016.</p>
53, 55	Corporate Alternative Minimum Tax	Oregon has no comparable AMT.	<p>Taxpayers must compute their income for purposes of the regular income tax, then recompute their income for purposes of the alternative minimum tax (AMT).</p> <p>Corporations with average gross receipts equal to or in excess of \$7.5 million over the preceding three tax years are subject to the</p>	<p>Repeals the corporate AMT for tax years beginning after Dec. 31, 2017</p> <p>Continues to allow the prior year minimum tax credit to offset the taxpayer's regular tax liability for any tax year. For tax years beginning after 2017 and before 2022, the prior year minimum tax credit is refundable</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Corporate Alternative Minimum Tax (cont.)		<p>AMT. A taxpayer's tax liability is the greater of their regular tax liability or their AMT liability.</p> <p>Corporations receive a credit for AMT paid (the prior-year minimum tax credit), which they can carry forward and claim against regular tax liability in future tax years, to the extent such liability exceeds AMT in a particular year.</p>	<p>in an amount equal to 50% (100% for tax years beginning in 2021) of the excess of the credit for the tax year over the amount of the credit allowable for the year against regular tax liability.</p> <p>No expiration.</p>
11, 243, 245, 246, 246A, 861	Corporate Tax Rate	Oregon has its own tax rates.	<p>A corporation's regular tax liability is determined by applying the following rates: 15% for \$0-\$50,000 of taxable income, 25% for \$50,001-\$75,000 of taxable income, 34% for \$75,001-\$10,000,000 of taxable income and 35% for excess of \$10,000,000 of taxable income. The 15% and 25% rates are phased out for corporations with taxable income between \$100,000 and \$335,000 and the 34% rate is gradually phased out for corporations with taxable income between \$15,000,000 and \$18,333,333. Additionally, personal service corporations are not entitled to use the graduated corporate rates below the 35% rate.</p> <p>Corporations which receive dividends from other taxable corporations are generally allowed a deduction equal to 70% of the dividends received. In the case of any dividend received from a 20%-owned</p>	<p>Reduces the corporate tax rate to a flat 21% for tax years beginning after Dec. 31, 2017. Repeals the maximum corporate tax rate on net capital gain as obsolete. Does not require a special rate for personal service corporations.</p> <p>No expiration.</p> <p>Reduces the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%. Also reduces the corresponding taxable income limitations.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Corporate Tax Rate (cont.)		<p>corporation, the amount of the deduction is equal to 80% of the dividend received. The aggregate deduction for dividends received is limited to 70% of the corporation's taxable income or 80% of the corporation's taxable income in the case of any dividend received from a 20%-owned corporation.</p> <p>For this purpose, certain preferred stock is not taken into account. If a dividend is received from a corporation that is a member of the same affiliated group, a corporation is generally allowed a deduction equal to 100% of the dividend received.</p>	
263A	Craft Beverage Modernization: Exempt Aging Period from UNICAP	Difficult to apply separate Oregon rule.	<p>The UNICAP rules require taxpayers to capitalize interest paid or accrued during the production period of property that is allocable to the property produced by the taxpayer or acquired for resale, which: (1) has a class life of at least 20 years, (2) has an estimated production period exceeding 2 years, or (3) has an estimated production period exceeding 1 year and a cost exceeding \$1 million. Property that is customarily aged before it is sold must include the aging period in the production period.</p>	<p>The aging periods of beer, wine, and distilled spirits are excluded from calculation of the production period for purposes of the UNICAP interest capitalization rules. The exclusion applies to interest costs paid or accrued in calendar years beginning after Dec. 31, 2017 and expires after Dec. 31, 2019.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
45C	Credit for Clinical Testing Expenses for Certain Drugs and Rare Diseases	Oregon has its own rules for credits.	Drug manufacturers may claim a credit (the orphan drug credit), as part of the general business credit, equal to 50% of qualified clinical testing expenses.	<p>Limits the orphan drug credit to 25% of qualified clinical testing expenses for the tax year.</p> <p>Taxpayers are able to elect a reduced credit in lieu of reducing otherwise allowable deductions (similar to the research credit under Section 280C).</p> <p>The amendments apply to tax years beginning after Dec. 31, 2017.</p>
162, 6050X (new)	Deductibility of Fines and Penalties for Federal Income Tax Purposes	Difficult to apply separate Oregon rule. Limited application.	No deduction is allowed for fines or penalties paid to a government for the violation of any law.	<p>The Act denies a deduction for amounts paid in relation to the violation of a law or investigation into the potential violation of a law, if a government (or similar entity) is a complainant or investigator with respect to the violation or potential violation.</p> <p>An exception applies to restitution (including remediation of property) identified in a court order or settlement agreement as restitution, remediation, or required to come into compliance with any law. Restitution for failure to pay tax, assessed under the Internal Revenue Code, is deductible only to the extent it would have been allowable if it had been timely paid.</p> <p>Another exception applies to any amount paid or incurred as taxes due.</p> <p>Effective for amounts paid or incurred on or</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Deductibility of Fines and Penalties for Federal Income Tax Purposes (cont.)			<p>after Dec. 22, 2017, except that the amendments do not apply to amounts paid or incurred under any binding order or agreement entered into before such date.</p> <p>This exception does not apply to an order or agreement requiring court approval unless the approval was obtained before such date.</p>
162(m)(2) through 162(m)(4)	Deduction for Excessive Employee Remuneration	Difficult to apply separate Oregon rule.	<p>Generally, a deduction for compensation paid or accrued with respect to a “covered employee” of a publicly traded corporation is capped at \$1 million per year. The deduction limitation does not apply to commissions or performance-based remuneration (including stock options).</p> <p>For purposes of the deduction limitation, a covered employee is defined by the IRS to include the principal executive officer (PEO) and the three highest compensated officers (other than the PEO) as of the close of the tax year. The pre-reform IRS definition does not necessarily include the chief financial officer (CFO). However, the SEC, for securities law purposes, defines a “covered employee” to include the chief executive officer (CEO), the CFO, and the three highest-paid employees, other than the CEO and CFO, who were serving as executive officers at the end of the last completed fiscal year.</p>	<p>Repeals the commission and performance-based compensation exceptions to the \$1 million yearly limit on the deduction for compensation paid with respect to a covered employee of a publicly traded corporation. “Covered employees” include the CEO, CFO and the 3 highest paid employees. Once an employee qualifies as a covered employee, the deduction limitation applies to that person so long as the corporation pays remuneration to that person (or to any beneficiaries).</p> <p>Applicable to tax years beginning after Dec. 31, 2017, except that a transition rule applies so that no changes take effect with respect to a written binding contract in effect on Nov. 2, 2017, that is not modified in any material respect on or after such date.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
162(r) (new)	Deduction for FDIC Premiums	Difficult to apply separate Oregon rule.	Amounts paid by insured depository institutions pursuant to an assessment by the Federal Deposit Insurance Corporation (FDIC) to support the Deposit Insurance Fund (DIF) are currently deductible as a trade or business expense.	<p>Institutions with consolidated assets over \$10 billion, are limited on the amount of FDIC premium payments that may be deducted. The limitation is a percentage derived from the ratio of excess consolidated assets over \$10 billion to \$40 billion, thus institutions with consolidated assets over \$50 billion cannot deduct FDIC premium payments. For purposes of determining consolidated assets, members of an expanded affiliated group are treated as one taxpayer.</p> <p>These amendments apply to tax years beginning after Dec. 31, 2017.</p>
199	Deductions for Income Attributable to Domestic Production Activities	Oregon doesn't conform now.	Taxpayers may claim a deduction equal to 9% of the lesser of the taxpayer's qualified production activities income, which is derived from property that was manufactured, produced, grown, or extracted within the United States, or the taxpayer's taxable income for the tax year.	<p>The Act repeals the deduction for all taxpayers. It does not extend the deduction for Puerto Rico activities.</p> <p>This amendment applies to tax years beginning after Dec. 31, 2017.</p>
162(q) (new)	Denial of Deduction for Settlements Subject to a Nondisclosure Agreement Paid in Connection with Sexual Harassment or Sexual Abuse	Difficult to apply separate Oregon rule.	Taxpayers generally may deduct ordinary and necessary expenses paid or incurred in carrying on any trade or business, but several exceptions apply.	The Act disallows a deduction for any settlement, payout, or attorney fees related to sexual harassment or sexual abuse if the payments are subject to a nondisclosure agreement. Effective for amounts paid or incurred after Dec. 22, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
162(a)	Elimination of Living Expense Deduction for Members of Congress		Current law deems the place of residence of a senator or representative within the state or district he represents to be his or her tax home and limits the member's annual deduction for living expenses to a maximum of \$3,000.	The Act eliminates the deduction for members of Congress for living expenses while away from their congressional districts or home states, effective for tax years after Dec. 22, 2017.
74, 274	Employee Achievement Awards		<p>Employee achievement awards are excluded from employees' income and deductible to the employer, within certain limitations. To qualify for the tax exclusion, an employee achievement award must be tangible personal property given in recognition of the employee's length of service or safety achievement at a ceremony that is a meaningful presentation.</p> <p>Prop. Reg. Section 1.274-8(c)(2) excludes from the definition of "tangible personal property" cash or gift certificate, or vacations, meals of lodging, tickets to theater and sporting events and stocks, bonds, and other securities.</p>	<p>The Act defines "tangible personal property" in the context of employee achievement awards to exclude cash, cash equivalents, gift coupons, or certificates as well as vacations, meals, lodging, or tickets to theater or sporting events, stocks, bonds securities or other similar items.</p> <p>Effective for amounts paid or incurred after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
45S (new)	Employer Credit for Paid Family and Medical Leave	Oregon has its own rules for credits.	Taxpayers generally may deduct ordinary and necessary expenses paid or incurred in carrying on any trade or business, but several exceptions apply.	<p>The Act permits employers that provide paid family and medical leave to their employees to claim a general business credit for a percentage of the wages paid to qualifying employees on leave under the Family and Medical Leave Act.</p> <p>To be eligible, employers must provide at least two weeks of leave and compensate employees on leave at a minimum of 50% of their regular wages.</p> <p>The credit percentage ranges from 12.5% to 25% of the cost of paid leave, depending on how much of an employee's regular earnings the benefit replaces.</p> <p>Employers can claim a credit for up to 12 weeks of leave per employee. Employers can claim the credit only for workers who have been employed by the employer for at least a year and who earn less than \$72,000 per year.</p> <p>The amendments apply to wages paid in tax years beginning in 2018 only.</p>
274	Entertainment, etc. Expenses	Difficult to apply separate Oregon rule.	Employers can only deduct expenses associated with entertainment, amusement, or recreational activities if they establish that the activity was directly related to the active conduct of the employer's trade or	Under the Act, no deduction is allowed for entertainment, amusement, or recreation; membership dues for a club organized for business, pleasure, recreation, or other social purposes; or a facility used in connection with

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Entertainment, etc. Expenses (cont.)</p>		<p>business or a facility used in connection with such activity. If an employer is entitled to deduct entertainment expenses, there generally is a 50% cap of the amount otherwise deductible. No deduction is allowed for membership dues with respect to any club organized for entertainment purposes. Gross income generally includes the value of employer-provided fringe benefits, except as discussed below. In general, a service provider includes in gross income the amount by which the fair market value of a fringe benefit exceeds the sum of the amount paid by the service provider and the amount that is specifically excluded from gross income. Certain employer-provided fringe benefits are excluded from a service provider's gross income. These include de minimis fringes, qualified transportation fringes, and meals that are provided for the convenience of the employer. Qualified transportation fringes include qualified parking, transit passes, vanpool benefits, and qualified bicycle commuting reimbursements.</p>	<p>any of the above.</p> <p>The Act repeals the exception to the deduction disallowance for entertainment, amusement, or recreation that is directly related to (or, in certain cases, associated with) the active conduct of the taxpayer's trade or business (and the related rule applying a 50% limit).</p> <p>The deduction for 50% of food and beverage expenses associated with operating a trade or business generally is retained.</p> <p>The Act expands the 50% limit to include employer expenses associated with providing food and beverages to employees through an eating facility meeting de minimis fringe requirements.</p> <p>The Act disallows deductions for expenses associated with providing any qualified transportation fringe to employees, and except for ensuring employee safety, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee's residence and place of employment.</p> <p>The Act also disallows employer deductions for expenses associated with meals provided for the employer's convenience on, or near, the employer's business premises through an</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Entertainment, etc. Expenses (cont.)			<p>employer-operated facility that meets certain requirements.</p> <p>These amendments generally apply to amounts paid or incurred after Dec. 31, 2017, but the elimination of the deduction for meals provided at the convenience of the employer applies to amounts paid or incurred after Dec. 31, 2025.</p>
4968 (new)	Excise Tax on Investment Income of Private Colleges and Universities	No comparable rule.	For tax years beginning before 2018, an exempt private educational institution is generally treated as a public charity and is therefore not subject to the excise tax on net investment income that is applicable to private foundations.	<p>The Act imposes a 1.4% excise tax on certain private colleges and universities and their related organizations. This provision would apply only to private institutions that have more than 500 students, have at least 50% of their students located in the United States, and have assets of at least \$500,000 per full-time student (not including assets used directly by the institution in carrying out the institution's educational purpose). The assets and net investment income of related organizations would be treated as the assets of the private college or university.</p> <p>The Act clarifies that an institution's number of students is to be determined using the daily average number of full-time (or full-time equivalent) students attending the institution.</p> <p>The changes apply for tax years beginning after 2017.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
4960 (new)	Excise Tax on Tax Exempt Organization Executive Compensation	No Oregon comparable rule.	For tax years beginning before 2018, an exempt organization is generally not subject to the limitations on the deductibility of compensation paid to organization executives applicable to non-exempt employers, and is not subject to tax on amounts paid to such employees.	<p>The Act would impose an excise tax equal to corporate tax rate (set at 21% by the Act) on compensation in excess of \$1 million paid to an applicable tax-exempt organization's five-highest paid employees for a tax year (or any person who was such an employee in any tax year beginning after 2016). The excise tax would also apply to parachute payments exceeding the portion of the base amount (defined as the average annual compensation of the employee for the five tax years before the employee's separation from employment) that is allocated to the payment. The tax on excess parachute payments applies only to payments made to employees who are highly compensated (within the meaning of Section 414(q)).</p> <p>The Act treats compensation as paid when rights to remuneration are no subject to a substantial risk of forfeiture (as defined in Section 457(f)(3)(B)).</p> <p>The Act exempts from the definition of "compensation" for purposes of the tax, remuneration paid to licensed medical professionals in exchange for medical services performed.</p> <p>The tax applies to tax years beginning after 2017.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
132, 82	Exclusion for Qualified Moving Expense Reimbursements	Difficult to apply separate Oregon rule.	Qualified moving expense reimbursements provided by an employer to an employee are excluded from the employee's income.	The Act suspends the exclusion from gross income for qualified moving expense reimbursements for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026. The exclusion is available for active duty members of the Armed Forces who move pursuant to a military order and incident to a permanent change of station.
1361	Expansion of Qualifying Beneficiaries of an Electing Small Business Trust (ESBT)	Difficult to apply separate Oregon rule.	An electing small business trust (ESBT) is an eligible shareholder of an S corporation. Eligible beneficiaries of ESBTs are individuals, estates, and certain charitable organizations which are eligible to directly hold S corporation stock. Nonresident alien individuals may not be shareholders or potential current beneficiaries of an ESBT.	Effective Jan. 1, 2018, a nonresident alien is a permissible potential current beneficiary of an ESBT.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
67	Expenses Attributable to the Trade or Business of Being an Employee	Difficult to apply separate Oregon rule.	<p>Taxpayers generally may claim deductions for trade and business expenses, regardless of whether the taxpayer itemizes deductions or takes the standard deduction. Taxpayers generally may claim expenses relating to the trade or business of being an employee only if they itemize deductions. Certain expenses attributable to the trade or business of being an employee, however, are allowed as above-the-line deductions, including reimbursed expenses included in the employee's income, certain expenses of performing artists, certain expenses of state and local government officials, certain expenses of elementary and secondary school teachers, and certain expenses of members of reserve components of the U.S. military.</p> <p>Eligible educators above-the-line deduction is for any ordinary and necessary expenses incurred (1) for professional development courses, or (2) for materials (books, supplies, computers, and other supplementary materials) used in the classroom. The deduction may not exceed \$250 (for 2017). This amount is indexed for inflation.</p> <p>Gross income does not include any qualified fringe benefit, including working condition fringe benefits.</p>	The Act suspends all miscellaneous itemized deductions that are subject to the 2% floor under present law, including expenses attributable to the trade or business of performing services as an employee, for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
263A	Expensing Costs of Replanting Citrus Plants	Difficult to apply separate Oregon rule.	Taxpayers who are majority co-owners are not required under the UNICAP rules to capitalize costs incurred due to the replanting of edible crops following loss or damage due to casualty, so long as the same type of crop lost or damaged is replanted. The exception to this requirement also applies to costs incurred by a minority co-owner, if: (1) the majority co-owner has more than a 50% equity interest, and (2) the minority co-owner materially participates in the business during the tax year in which the replanting costs were incurred.	Allows minority co-owners to deduct (rather than capitalize) the replanting costs for citrus plants lost or damaged due to freezing temperatures, disease, droughts, pest, or casualty if: (1) the majority co-owner has an equity interest of not less than 50% in the replanted plants and the minority co-owner holds any part of the remaining equity interest (note that this rule essentially removes the material participation requirement that applies for purposes of the other special rule for minority co-owners contained in Section 263A(d)(2)(B)); or (2) the minority co-owner acquires all of the majority co-owner's equity interest in the land on which the loss or damage and replanting occurred. Effective for costs paid or incurred after Dec. 22, 2017, but not later than 10 years from Dec. 22, 2017.
78, 902, 904, 960, 863, 864	Foreign Tax Credit	No comparable Oregon credit.	Foreign-source income earned by a foreign subsidiary of a U.S. corporation generally is not subject to U.S. tax until the income is distributed as a dividend to the U.S. parent corporation. Taxpayers are allowed a foreign tax credit or a deduction for foreign income taxes paid on the income out of which the dividend is paid, but generally only when the foreign earnings are distributed to the U.S. parent or otherwise subject to U.S. taxation. The foreign tax credit generally is available to offset, in whole or in part, the U.S. tax owed on foreign-source income.	<p>The Act repeals the indirect foreign tax credit under Section 902. A foreign tax credit is permitted, for subpart F income included in the gross income of a domestic corporation that is a U.S. shareholder of a CFC, without regard to pools of foreign earnings kept abroad.</p> <p>The Act provides an election to increase the percentage of domestic taxable income offset by overall domestic loss treated as foreign-source income.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Foreign Tax Credit (cont.)</p>		<p>Generally, a U.S. shareholder is subject to U.S. tax on the subpart F income of its CFCs, even if the income is not repatriated. A separate foreign tax credit is available to U.S. shareholders for foreign taxes paid on the subpart F income.</p> <p>If an overall domestic loss (ODL) offsets foreign-source income, then in later years, a portion of the taxpayer's U.S.-source taxable income is treated as foreign-source income. The portion of the taxpayer's U.S.-source income for years succeeding the ODL is the lesser of the amount of the loss (to the extent not used in prior tax years) or 50% of the taxpayer's U.S.-source income.</p> <p>Income from the sale or exchange of inventory property is sourced on the basis of sales and production activities, as provided by regulation.</p> <p>U.S. owners of foreign branches are subject to U.S. tax on income earned by the foreign branch, and may receive a foreign tax credit for taxes paid to a foreign country on income earned by that branch. However, U.S. owners are not required to include income earned by the foreign branch in a separate category, i.e., a foreign tax credit limitation basket, for purposes of calculating the foreign tax credit.</p>	<p>Income from the sale of inventory is sourced based solely on the basis of production activities.</p> <p>Adds a separate foreign tax credit limitation basket for foreign branch income.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
5051(a)(1)	General Tax Rate on Beer		The general tax rate on beer is \$18 per barrel (31 gallons).	<p>The Act lowers the beer tax rate from \$18 per barrel to \$16 per barrel on the first six million barrels brewed or imported. Beer brewed or imported in excess of six million barrels is taxed at \$18 per barrel.</p> <p>These provisions apply to beer removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>
55	Individual Alternative Minimum Tax	Oregon has no comparable rule/tax.	<p>Taxpayers must compute their income for purposes of the regular income tax, then recompute their income for purposes of the alternative minimum tax (AMT). A taxpayer's tax liability is the greater of their regular tax liability or their AMT liability.</p> <p>For individuals, estates and trusts, the AMT has a 26% bracket and a 28% bracket. In computing the AMT, only alternative minimum taxable income (AMTI) above an AMT exemption amount is taken into account, but AMTI represents a broader base of income than regular taxable income because many deductions and tax preferences are disallowed for AMT purposes.</p>	<p>For tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026, the Act increases the AMT exemption amounts for individuals in Section 55(d)(1) as follows:</p> <ul style="list-style-type: none"> • \$109,400 for married taxpayers filing jointly or for surviving spouses; • \$70,300 for single taxpayers; and • \$54,700 for married taxpayers filing separately. <p>Also, for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026, the Act increases the phase-out of exemption amounts in Section 55(d)(3) as follows:</p> <ul style="list-style-type: none"> • \$1,000,000 for married taxpayers filing jointly or for surviving spouses; • \$500,000 for single taxpayers and married taxpayers filing separately. <p>For any tax year beginning in a calendar year after 2018, the Act also indexes all the above amounts for inflation.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
6343, 7426, 6532	IRS Levy	Oregon has its own rules.	<p>If the IRS has wrongfully levied against property, the IRS may return the levied property at any time, provided that the IRS still has possession of the property. If the levied property is money or property which has been sold, the IRS may return an amount equal to the levied money or the sale proceeds within nine months after the date of the levy.</p> <p>Civil actions for wrongful levies must be brought within nine months of the date of levy.</p>	<p>The Act extends the period of time the IRS has to return monetary proceeds from the sale of property that has been wrongfully levied upon to two years. The Act also extends the time period for bringing a civil action for wrongful levy to two years. Effective for levies made after Dec. 22, 2017, and levies made on or before Dec. 22, 2017, if the nine-month period has not expired as of Dec. 22, 2017.</p>
457(e)(11)	Length of Service Awards for Public Safety Volunteers	Difficult to apply separate Oregon rule.	<p>Special rules apply to deferred compensation plans of State and local government and private, tax-exempt employers. However, an exception to these rules applies in the case of a plan paying solely length of service awards to bona fide volunteers (or their beneficiaries) on account of qualified services performed by the volunteers. The exception applies only if the aggregate amount of length of service awards accruing for a bona fide volunteer with respect to any year of service does not exceed \$3,000.</p>	<p>Increases the aggregate amount of length of service awards for bona fide volunteers to \$6,000 (up from \$3,000), subject to adjustment for inflation. For defined benefit plans, the limit would apply to the actuarial present value of the aggregate amount.</p> <p>Effective for tax years beginning after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
1031	Like-Kind Exchanges of Real Property	Difficult to apply separate Oregon rule.	No gain or loss is recognized to the extent that property held for productive use in the taxpayer's trade or business, or property held for investment purposes, is exchanged for property of a like-kind that also is held for productive use in a trade or business or for investment.	<p>The Act limits the nonrecognition of gain or loss to like-kind exchanges of real property that is not held primarily for sale.</p> <p>This amendment generally applies to exchanges completed after Dec. 31, 2017, but does not apply to an exchange if the property disposed of in the exchange (the relinquished property) is disposed of on or before Dec. 31, 2017, or if the property received in the exchange (the replacement property) is received on or before Dec. 31, 2017.</p>
68	Limitation on Itemized Deductions		The total amount of otherwise allowable itemized deductions (other than medical expenses, investment interest, and casualty, theft, or wagering losses) is limited for certain upper-income taxpayers (sometimes referred to as the "Pease" limitation). This limitation applies on top of any other limitations applicable to such deductions. Under the Pease limitation, the otherwise allowable total amount of itemized deductions is reduced by 3% of the amount by which the taxpayer's adjusted gross income exceeds a threshold amount, according to filing status. The Pease limitation does not reduce itemized deductions by more than 80%.	The Act suspends the overall limitation on itemized deductions for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
461	Limitation on Losses for Taxpayers Other than Corporations	Difficult to apply separate Oregon rule.	The passive loss rules, which apply to individuals, estates and trusts, and closely held corporations, limit the deduction of losses from passive trade or business activities of a taxpayer. In addition, the excess farm loss rules, which apply to taxpayers other than C corporations, limit the deduction of excess farm losses of a taxpayer in certain circumstances. An excess farm loss for a tax year is the excess of the aggregate deductions attributable to farming businesses over the sum of (i) the aggregate gross income or gain attributable to farming businesses, and (ii) a threshold amount.	Effective for tax years beginning after Dec. 31, 2017, disallows an excess business loss of a taxpayer other than a C corporation. However, an excess business loss is treated as part of the taxpayer's net operating loss carryover to the following year. An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount (\$500,000 for married taxpayers filing jointly; \$250,000 for all other taxpayers (indexed for inflation)). The limitation applies at the partner or S corporation shareholder level. The limitation expires after Dec. 31, 2025.
165(d)	Limitation on Wagering Losses Deduction		Taxpayers may claim itemized deductions for losses from gambling, but only to the extent of gambling winnings. However, taxpayers may claim other deductions connected to gambling that are deductible regardless of gambling winnings.	The Act amends the definition of losses from wagering transactions to include any otherwise allowable deduction incurred in carrying on wagering transactions (e.g., traveling to and from a casino), applicable to tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
162	Local Lobbying Expenses	Limited impact.	For amounts paid prior to Dec. 22, 2017, an exception to the general disallowance of a deduction for lobbying expenses is available for expenses incurred for lobbying on legislation being considered by local government bodies, with Indian tribal government entities being treated as local government bodies for this purpose.	The Act eliminates the deduction for lobbying expenses regarding legislation before local government bodies, including Indian tribal governments, effective for amounts paid or incurred on or after Dec. 22, 2017.
646, 139G (new), 247 (new)	Modification of Tax Treatment of Alaska Native Corporations and Alaska Native Settlement Trusts	Difficult to apply separate Oregon rule.	<p>Alaska Native Corporations hold property for Alaska Natives. Subject to some exceptions, Alaska Natives are generally the only permitted common shareholders and under the Alaska Native Claims Settlement Act, a Native Corporation may transfer money or other property to an Alaska Native Settlement Trust for the benefit of beneficiaries who constitute all or a class of the shareholders of the Native Corporation, to promote the health, education, and welfare of beneficiaries and to preserve the heritage and culture of Alaska Natives.</p> <p>Generally subject to tax under the same rules as other corporations and trusts, they are permitted to make an irrevocable election to pay tax on taxable income at the lowest rate for individuals, and to pay tax on capital gains at a rate consistent with being subject to such lowest rate of tax.</p>	<p>The Act allows an Alaska Native Corporation to exclude from its gross income certain payments described in the Alaska Native Claims Settlement Act (ANCSA) that it assigns to an Alaska Native Settlement Trust, provided the assignment is in writing and the Native Corporation does not receive the payment before assignment. The assigned payment is includible in the Settlement Trust's gross income when received.</p> <p>It also allows a Native Corporation to elect to deduct contributions to a Settlement Trust, up to the amount of its taxable income. Any unused deduction may be carried forward 15 years.</p> <p>The Settlement Trust is required to report income equal to the deduction taken by the Native Corporation. For noncash contributions, the Settlement Trust takes a carryover basis in the property and may elect to defer recognition of income until it</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Modification of Tax Treatment of Alaska Native Corporations and Alaska Native Settlement Trusts (cont.)</p>		<p>A Settlement Trust distribution is excludible from the incomes of the beneficiaries to the extent of the taxable income of the Settlement Trust for the tax year and all prior tax years for which an election was in effect, decreased by income tax paid by the Trust, plus tax-exempt interest from state and local bonds for the same period.</p> <p>A special loss disallowance rule reduces any loss that would otherwise be recognized on disposition of stock of a sponsoring Native Corporation by a proportion of all contributions to all electing Settlement Trusts by the sponsoring Native Corporation.</p>	<p>disposes of the property. However, if the Settlement Trust disposes of property subject to this election within the first tax year after the tax year of contribution, the election would be voided, and the Settlement Trust must file an amended return for the year of contribution and pay any applicable tax on the disposition plus interest and a 10% penalty.</p> <p>Under a reporting requirement, a Native Corporation electing to deduct contributions to a Settlement Trust is required to furnish an information statement to the Settlement Trust.</p> <p>The income exclusion is effective for tax years beginning after Dec. 31, 2016. The deductibility of contributions is effective for tax years for which the Native Corporation's refund statute of limitations period has not expired, and there is a one-year waiver of the refund statute of limitations period in the event that the period expires before the end of the one-year period beginning on Dec. 22, 2017. The reporting requirement is applicable to tax years beginning after Dec. 31, 2016.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
217	Moving Expenses Deduction	Difficult to apply separate Oregon rule.	Taxpayers may claim deductions for moving expenses incurred in connection with starting a new job, regardless of whether or not the taxpayer itemizes his deductions. To qualify, the new workplace generally must be at least 50 miles farther from the former residence than the former place of work or, if the taxpayer had no former workplace, at least 50 miles from the former residence.	The Act generally suspends the deduction for moving expenses for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026. However, the deduction generally is still available for active duty members of the Armed Forces who move pursuant to a military order and incident to a permanent change of station.
101(a)(2)	New Exception to Transfer for Value Rule	Difficult to apply separate Oregon rule.	<p>Generally, amounts received under a life insurance contract and paid by reason of the death of the insured are excluded from federal income tax.</p> <p>An exception to this rule is when the life insurance contract has been transferred for valuable consideration (transfer for value rules). The transfer for value rules generally provide that if a life insurance contract is sold or otherwise transferred for valuable consideration, the excludable amount paid by reason of the death of the insured is reduced by the sum of the actual value of the consideration paid and any premiums or other amounts paid by the transferee of the contract after the transfer.</p>	The Act adds a new provision to the transfer for value rule that provides the exception to the exclusion from income of death benefits does not apply to a transfer of a life insurance contract or any interest therein which is a reportable policy sale. Effective for tax years beginning after Dec. 31, 2017.
6050Y (new)	New Tax Reporting Requirements for Life Settlement Transactions	Related to information returns for life settlement transactions.	No such requirements.	The Act adds significant new reporting requirements on the acquisition of a life insurance contract or any interest in a life insurance contract in a “reportable policy sale.” A reportable policy sale is one in

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	New Tax Reporting Requirements for Life Settlement Transactions (cont.)			<p>which the acquirer generally has no insurable interest in the life insured under the policy, e.g. a life settlement contract. The acquirer must file an information return and provide a written statement of the information to the persons identified in the return, including the seller. The issuer of the policy must make an information return and provide a written statement of that information to the persons identified in that return. Finally, every person who pays reportable death benefits must make an information return and provide a written statement of the information to persons identified in the return.</p> <p>Effective for reportable policy sales after Dec. 31, 2017, and for reportable death benefits paid after Dec. 31, 2017.</p>
172	NOL Deduction	Oregon has its own NOL rules.	A net operating loss is the amount by which a taxpayer's current-year business deductions exceed its current-year gross income. Net operating losses may not be deducted in the year generated, but may be carried back two years and carried forward 20 years.	<p>The Act limits the NOL deduction for NOLs arising in tax years <i>beginning</i> after Dec. 31, 2017 to 80% of taxable income (computed without regard to the NOL deduction), and provides that amounts carried over to later tax years are adjusted to take into account this limitation.</p> <p>The Act also eliminates NOL carrybacks and allows unused NOLs to be carried forward indefinitely, except for farming NOLs and NOLs of property and casualty insurance companies, both of which would be permitted a 2-year carryback and a 20-</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	NOL Deduction (cont.)			year carryforward. This amendment applies to NOLs arising in tax years <i>ending</i> after Dec. 31, 2017.
165(h)	Personal Casualty Losses Deduction		<p>Individuals may claim itemized deductions for personal casualty losses (i.e., losses not connected with a trade or business or entered into for profit), including property losses arising from fire, storm, shipwreck, or other casualty, or from theft.</p> <p>Certain tax legislation, including the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (Pub. L. No. 115-63), provided for a special above-the-line deduction for personal casualty losses arising from specified natural disasters.</p>	The Act limits the personal casualty loss itemized deduction for property losses (not used in connection with a trade or business or transaction entered into for profit) to apply only to losses incurred as a result of federally-declared disasters. This limitation on deductibility applies to losses arising in tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
151(d), 152, 642(b), 873(b), 3402(a)(2)	Personal Exemptions		<p>A taxpayer generally may claim personal exemptions for the taxpayer, the taxpayer's spouse, and any dependents. For 2017, taxpayers may deduct \$4,050 for each personal exemption. The exemption amount is indexed annually for inflation (CPI).</p> <p>Additionally, a personal exemption phase-out (PEP) reduces a taxpayer's personal exemptions by 2% for each \$2,500 (\$1,250 for married filing separately) by which the taxpayer's AGI exceeds \$261,500 (single), \$287,650 (head-of-household), \$313,800 (married filing jointly), and \$150,000 (married filing separately). These threshold amounts apply to tax year 2017 (and also are indexed for inflation).</p>	The Act suspends the deduction for personal exemptions for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
83(i) (new), 422(b), 3401(i) (new), 6652(p) (new)	Qualified Equity Grants	Difficult to apply separate Oregon rule.	No provision.	<p>New Section 83(i) provides tax benefits to employees of certain start-up companies. Generally, an employee may make a special election with respect to qualified stock transferred to them, so that no amount is included in income for the first tax year in which the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. Income taxation can be deferred by the employee until the earlier of (a) five years, or (b) the occurrence of a specified event, such as the stock of the company being readily tradable on an established securities market, or a revocation of the election. A written plan must provide that at least 80% of the employees of the company are granted stock options or restricted stock units (RSUs) with the same rights and privileges. The 80% eligibility requirement is met only if affected employees (new hires or existing employees) are either granted stock options or RSUs for that year, and not a combination of both. Certain notice requirements apply.</p> <p>Where an inclusion deferral election is made with respect to an incentive stock option (including one under an employee stock purchase plan), the option is treated as a nonqualified stock option for FICA purposes. Excluded employees who are not considered qualified individuals able to make a special election include individuals</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	<p>Qualified Equity Grants (cont.)</p>			<p>who first become a 1% owner or one of the four highest compensated officers in a tax year, or who fell into such a classification in any of the 10 preceding tax years. Receipt of qualified stock under Section 83(i) is not treated as a nonqualified deferred compensation plan for purposes of Section 409A.</p> <p>Section 83(b) elections may not be made with respect to RSUs. This prevents recipients from accelerating the taxable event to the time of the transfer itself in order to attempt to limit the amount of ordinary income that is not recognized in acquiring and later selling the restricted stock units.</p> <p>The provisions governing qualified stock apply to stock attributable to options exercised or RSUs settled after Dec. 31, 2017. Under a transition rule, until the IRS issues regulations or other guidance implementing the 80% rule and employer notice requirements under the provision, a corporation is treated as complying with these requirements if it uses a reasonable good faith interpretation in applying the rules. The penalty for a failure to provide the required notice applies to failures after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
1400Z-1 (new), 1400Z-2 (new)	Qualified Opportunity Zones	Difficult to apply separate Oregon rule.	<p>The Code contains many tax incentives to aid economically distressed areas that seek to attract otherwise unavailable investment of capital into distressed communities.</p> <p>They are used to start new businesses, develop abandoned property, or provide low-income housing.</p>	<p>The Act provides that the chief executive officer of the State (which includes the District of Columbia) may submit nominations for a limited number of opportunity zones to the Secretary for certification and designation. Once these opportunity zones are certified and designated, taxpayers that invest in such areas may be eligible to receive tax benefits based on their investment.</p> <p>The tax benefits include temporary deferral of inclusion in gross income of capital gains that are reinvested in a qualified opportunity fund (investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90% of its assets in qualified opportunity zone property) and the permanent exclusion of capital gains from the sale or exchange of an investment in the qualified opportunity fund.</p> <p>Effective on Dec. 22, 2017, except for gain deferral, which is unavailable with respect to any sale or exchange made after Dec. 31, 2026, and the exclusion of capital gain recognition on the sale or exchange of an investment in the qualified opportunity fund which is not available for investments in qualified opportunity zones made after Dec. 31, 2026.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
408A(d)(6)(B)(iii)	Recharacterization of Certain IRA and Roth IRA Contributions	Difficult to apply separate Oregon rule.	An individual may recharacterize a contribution to a traditional IRA as a contribution to a Roth IRA, and vice versa. An individual also may recharacterize a conversion of a traditional IRA to a Roth IRA. The deadline for recharacterization generally is Oct. 15 of the year following the conversion. When a recharacterization occurs, the individual is treated for tax purposes as not having made the conversion. The recharacterization must include any net earnings related to the conversion.	Provides that the special rule that allows a contribution to one type of IRA to be recharacterized as a contribution to the other type of IRA does not apply to a conversion contribution to a Roth IRA. Thus, recharacterization cannot be used to unwind a Roth conversion. However, recharacterization is still permitted with respect to other contributions. These changes are effective for plan years beginning after Dec. 31, 2017.
108	Reforms to Discharge of Certain Student Loan Indebtedness	Difficult to apply separate Oregon rule.	Generally, debt that is forgiven constitutes gross income to the debtor, even if the debt is forgiven on account of death or disability. However, under certain conditions, cancellation of student loan indebtedness does not constitute gross income to the debtor.	The Act excludes from taxable income, income resulting from the discharge of certain student debt on account of the death or total and permanent disability of the student. Effective for loans discharged after Dec. 31, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
47	Rehabilitation Credit	Oregon has its own rules for credits.	The rehabilitation credit is a one-time credit (either 20% or 10%) based on a fixed percentage of rehabilitation costs incurred in connection with the rehabilitation of certain real property.	<p>The Act provides a 20% credit (to be claimed ratably over a five-year period beginning in the tax year when the structure is placed in service) for qualified rehabilitation expenditures with respect to a historic structure.</p> <p>The amendment is generally effective for amounts paid or incurred after Dec. 31, 2017, with a transition rule for specifically qualified buildings.</p>
72(t), 165, 401-403, 408, 457, 3405	Relief for 2016 Disaster Areas	Difficult to apply separate Oregon rule.	<p>Taxpayer's distributions from qualified retirement plans are generally included in income. Unless an exception applies, a distribution prior to the taxpayer turning age 59 1/2 is subject to a 10% additional early withdrawal tax.</p> <p>Taxpayers may rollover distributions into another eligible retirement plan within 60 days to avoid income inclusion. The IRS has discretion to waive the 60-day period for taxpayers who fail to make the rollover in time.</p> <p>Individuals may claim itemized deductions for personal casualty losses (i.e., losses not connected with a trade or business or entered into for profit), including property losses arising from fire, storm, shipwreck, or other casualty, or from theft. Certain tax legislation, including the Disaster Tax Relief</p>	Provides an exception to the 10% early withdrawal tax in the case of a distribution due to a qualified 2016 disaster and shields a qualified plan from disqualification for making any such distribution. In addition, unless an election to the contrary is made, taxpayers recognize income attributable to a qualified 2016 disaster distribution ratably over three years, taxpayers are allowed a period of up to three years for recontributions of qualified 2016 disaster distributions, and casualty losses associated with a 2016 disaster are deductible without regard to whether aggregate net losses exceed 10% of a taxpayer's adjusted gross income, as long as they exceed \$500 per casualty. A qualified 2016 disaster distribution includes any distribution made on or after Jan. 1, 2016, and before Jan. 1, 2018, to an individual whose principal place of abode at any time during calendar year 2016 was in

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Relief for 2016 Disaster Areas (cont.)		and Airport and Airway Extension Act of 2017 (Pub. L. No. 115-63), provides for a special above-the-line deduction for personal casualty losses arising from specified natural disasters.	<p>the 2016 disaster area.</p> <p>The disaster relief extends to any area with respect to which a major disaster has been declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016.</p> <p>Personal casualty loss relief applies to losses arising in tax years beginning after Dec. 31, 2015, and before Jan. 1, 2018. These changes are effective on Dec. 22, 2017.</p>
1044 (repeal)	Rollover of Publicly Traded Securities Gain into SSBICs	Difficult to apply separate Oregon rule.	Gain or loss generally is recognized on any sale, exchange, or other disposition of property. However, individuals and corporations may roll over, without recognition of income, any capital gain realized on the sale of publicly traded securities when the proceeds are used to purchase common stock or a partnership interest in a specialized small business investment corporation (SSBIC) within 60 days of the sale of the securities. The amount of gain that a taxpayer may roll over in a tax year is limited to the lesser of: (1) \$50,000 (\$250,000 for corporations) annually, or (2) \$500,000 (\$1,000,000 for corporations) over their lifetime, reduced by any gain previously excluded under this special rule for all preceding tax years.	The Act repeals the rule permitting rollover of gains on publicly traded securities to an SSBIC, effective for sales after Dec. 31, 2017.

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
402(c)(3)	Rollovers of Plan Loan Offsets	Difficult to apply separate Oregon rule.	<p>Employer-sponsored retirement plans may provide loans to employees. Unless the loan satisfies certain requirements in both form and operation, the amount of a retirement plan loan is a deemed distribution from the retirement plan. A deemed distribution of an unpaid loan balance is generally taxed as though an actual distribution occurred, and is subject to the 10% early distribution tax, unless an exception applies. A deemed distribution is not eligible for rollover to another eligible retirement plan.</p> <p>A plan may provide that an employee's obligation to repay a loan is accelerated (for example, if the employee is terminated) and, if the loan is not repaid, the loan is cancelled and the amount in the employee's account balance is offset by the amount of the unpaid loan balance (loan offset).</p> <p>A loan offset is treated as an actual distribution, not a deemed distribution, from the plan that is eligible for tax-free rollover to another eligible retirement plan within 60 days following the offset. The offset amount is the amount needed to repay the loan.</p>	<p>An employee who has taken a plan loan has until the due date for filing the employee's tax return for that year (including extensions) to contribute the loan balance to an IRA (instead of the current 60 days) to avoid having the loan amount treated as a taxable distribution. The transfer is treated like a tax-free rollover. This rule applies to employees whose plans terminate or who experience a severance from employment while having a plan loan outstanding. The plan loan offset must relate to a loan that satisfies Section 72(p)(2), otherwise the loan will be treated as a taxable deemed distribution under Section 72(p)(1).</p> <p>Applicable to taxable years beginning after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
481, 1371	S Corporation Conversion to C Corporation	Difficult to apply separate Oregon rule.	Distributions from a terminated S corporation are treated as paid from its accumulated adjustment account if made during the post-termination transition period which ends on the later of one year from the last day the corporation was an S corporation, or the due date for filing the last return of the S corporation (including extensions).	<p>Effective for S corporations that revoke their S corporation elections during the two-year period beginning on Dec. 22, 2017, and have the same owners on both Dec. 22, 2017, and the revocation date, distributions from a terminated S corporation will be treated as paid from its accumulated adjustment account and from its earnings and profits.</p> <p>Taxpayers are to account for adjustments under Section 481(a) due to the termination over a six-year period.</p>
1221	Self-Created Property not Treated as a Capital Asset	Difficult to apply separate Oregon rule.	A self-created patent, invention, model or design, or secret formula or process is treated as a capital asset.	<p>The Act treats gain or loss from the disposition of a self-created patent, invention, model or design, or secret formula or process as ordinary in character. It preserves the election to treat musical compositions and copyrights in musical works as capital assets.</p> <p>These amendments apply to dispositions of such property after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
1(c)(2)(A), 2(a), 32, 63(c)	Standard Deduction	Oregon has its own standard deduction.	<p>An individual reduces adjusted gross income (AGI) by personal exemption deductions and either (i) the applicable standard deduction or (ii) itemized deductions, to determine taxable income.</p> <p>The basic standard deduction varies depending upon a taxpayer's filing status. For 2017, the standard deduction is \$6,350 for single individuals and married individuals filing separate returns, \$9,350 for heads of households, and \$12,700 for married individuals filing a joint return. The amounts of the basic and additional standard deductions are indexed annually for inflation (CPI). Taxpayers may elect to claim itemized deductions in lieu of taking the applicable standard deductions. Taxpayers blind or 65 or older are eligible for an increased standard deduction.</p>	<p>The Act increases the standard deduction to the following amounts:</p> <ul style="list-style-type: none"> • \$24,000 (joint return or a surviving spouse) • \$18,000 (unmarried individual with at least one qualifying child) • \$12,000 (for single filers) <p>The Act retains the enhanced standard deduction for the blind and elderly that is available under current law.</p> <p>The amount of the standard deduction will be indexed for inflation using C-CPI-U in tax years beginning after 2018. Increased standard deduction amounts will expire after Dec. 31, 2025.</p> <p>Effective for tax years beginning after Dec. 31, 2017.</p>
743	Substantial Built-in Loss	Difficult to apply separate Oregon rule.	<p>A partnership does not adjust the basis of partnership property following the transfer of a partnership interest unless the partnership has made a one-time Section 754 election for basis adjustments or the partnership has a substantial built-in loss immediately after the transfer.</p> <p>If an election is in effect or if the partnership has a substantial built-in loss immediately</p>	<p>Effective for transfers of partnership interests after Dec. 31, 2017, the definition of a substantial built-in loss is expanded to include a hypothetical disposition by the partnership of all partnership's assets in a fully taxable transaction for cash equal to the assets' fair market value, if immediately after the transfer of the partnership interest, the transferee would be allocated a net loss upon such hypothetical disposition in excess of \$250,000.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Substantial Built-in Loss (cont.)		<p>after the transfer, adjustments are made with respect to the transferee partner to account for the difference between the transferee partner's proportionate share of the adjusted basis of the partnership property and the transferee's basis in its partnership interest.</p> <p>A substantial built-in loss exists if the partnership's adjusted basis in its property exceeds by more than \$250,000 the fair market value of the partnership property. Certain securitization partnerships and electing investment partnerships are not treated as having a substantial built-in loss in certain instances, and thus are not required to make basis adjustments to partnership property. For electing investment partnerships, in lieu of the partnership basis adjustments, a partner-level loss limitation rule applies.</p>	
54-54AA	Tax Credit Bonds		<p>Holders of tax credit bonds receive federal tax credits fully or partially in lieu of interest payments from the issuer, depending on the level of federal subsidy. For some of these bonds, during 2009 and 2010, issuers had the option of instead issuing taxable bonds and receiving direct payments from the federal government.</p>	<p>The Act repeals the authority to issue new tax credit bonds. Effective for bonds issued after Dec. 31, 2017.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
212	Tax Preparation Services Deduction		Individuals may claim a miscellaneous itemized deduction (subject to a 2% floor) for tax preparation expenses.	The Act suspends all miscellaneous itemized deductions (including for tax preparation expenses) that are subject to the 2% floor under Section 67 under present law for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.
5041(b)	Tax Rate for Mead and Certain Sparkling Wines		Mead and sparkling wine are taxed based on their alcohol content, their carbon dioxide content, and, if applicable, whether the wine is sparkling due to artificial carbonation or natural effervescence. All mead and sparkling wine with more than 0.392 grams of carbon dioxide per 100 milliliters is taxed at a minimum rate of \$3.30 per wine gallon.	<p>The Act adds definitions of “mead” and “low alcohol by volume wine.” These definitions clarify that mead and low alcohol volume wine containing not more than 0.64 grams of carbon dioxide per 100 milliliters and less than 8.5% alcohol by volume are taxed at the lowest rate applicable to still wine: \$1.07 per wine gallon.</p> <p>These provisions apply to wine removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
5051(a)(2)	Tax Rate on Beer for Small Brewers		The tax rate for brewers brewing fewer than two million barrels of beer per calendar year is \$7 per barrel for the first 60,000 barrels removed for consumption or sale. Barrels produced in excess of 60,000 are taxed at the general beer tax rate of \$18 per barrel.	<p>The Act lowers the beer tax rate for small brewers (brewers brewing fewer than two million barrels per calendar year) from \$7 per barrel for the first 60,000 barrels produced to \$3.50 for the first 60,000 barrels. The Act also lowers the tax rate paid by small brewers for barrels produced in excess of 60,000 from \$18 to \$16 per barrel.</p> <p>These provisions apply to beer removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>
5001	Tax Rate on Distilled Spirits		Distilled spirits are taxed at a rate of \$13.50 per proof gallon.	<p>The Act creates a tiered-rate system of for taxes on distilled spirits. The tax rate applicable to the first 100,000 proof gallons is \$2.70 per proof gallon; for all proof gallons in excess of that amount, but below 22,130,000 proof gallons, the rate is \$13.34; and for all additional amounts, the rate is \$13.50 per proof gallon.</p> <p>These provisions apply to distilled spirits removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
5041(c)	Tax Rate on Wine		Wine producers who produce 250,000 wine gallons or less during a calendar year are permitted a credit of \$0.90 per wine gallon on the first 100,000 wine gallons removed per year for consumption or sale. The credit is reduced by 1% for each 1,000 wine gallons of wine produced in excess of 150,000 wine gallons during the calendar year. Sparkling wine producers are not eligible for the credit.	<p>The Act removes the 250,000 gallon wine production limitation for wine producers to receive a credit against the wine excise tax (meaning all wine producers and importers are able to utilize the credit). Sparkling wine producers and importers are also eligible to claim the credit.</p> <p>The bill changes the calculation of the credit to: (1) \$1.00 per wine gallon for the first 30,000 wine gallons, plus; (2) \$0.90 per wine gallon on the next 100,000 wine gallons, plus; (3) \$0.535 cents per wine gallon on the next 620,000 wine gallons. For hard cider, the credit follows the same production levels, but equals \$0.062, \$0.056, and \$0.03, respectively.</p> <p>These provisions apply to wine removed after Dec. 31, 2017, and before Jan. 1, 2020.</p>
1, 15, 63(c)(2)(A)	Tax Rates	Oregon has its own tax rate rules.	<p>Individual Income Tax Rates</p> <p>For tax year 2017, there are seven regular individual income tax brackets of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%, and five categories of filing status. The income levels for each bracket threshold are indexed annually based on increases in the Consumer Price Index (CPI).</p>	<p>Individual Income Tax Rates</p> <p>The Act has seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These brackets apply to tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026.</p>

1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Tax Rates (cont.)		<p><u>Married Filing Jointly and Surviving Spouses:</u> 10% (Taxable income not over \$18,650) 15% (Over \$18,650 but not over \$75,900) 25% (Over \$75,900 but not over \$153,100) 28% (Over \$153,100 but not over \$233,350) 33% (Over \$233,350 but not over \$416,700) 35% (Over \$416,700 but not over 470,700) 39.6% (over \$470,700)</p> <p><u>Married Filing Separately:</u> 10% (Taxable income not over \$9,325) 15% (Over \$9,325 but not over \$37,950) 25% (Over \$37,950 but not over \$76,550) 28% (Over \$76,550 but not over \$116,675) 33% (Over \$116,675 but not over \$208,350) 35% (Over \$208,350 but not over \$235,350) 39.6% (over \$235,350)</p> <p><u>Head of Household:</u> 10% (Taxable income not over \$13,350) 15% (Over \$13,350 but not over \$50,800) 25% (Over \$50,800 but not over \$131,200) 28% (Over \$131,200 but not over \$212,500) 33% (Over \$212,500 but not over \$416,700) 35% (Over \$416,700 but not over \$444,550) 39.6% (over \$444,550)</p> <p><u>Single Individuals:</u> 10% (Taxable income not over \$9,325) 15% (Over \$9,325 but not over \$37,950) 25% (Over \$37,950 but not over \$91,900) 28% (Over \$91,900 but not over \$191,650) 33% (Over \$191,650 but not over \$416,700) 35% (Over \$416,700 but not over \$418,400) 39.6% (Over \$418,400)</p>	<p><u>Married Filing Jointly and Surviving Spouses:</u> 10% (Taxable income not over \$19,050) 12% (Over \$19,050 but not over \$77,400) 22% (Over \$77,400 but not over \$165,000) 24% (Over \$165,000 but not over \$315,000) 32% (Over \$315,000 but not over \$400,000) 35% (Over \$400,000 but not over 600,000) 37% (over \$600,000)</p> <p><u>Married Filing Separately:</u> 10% (Taxable income not over \$9,525) 12% (Over \$9,525 but not over \$38,700) 22% (Over \$38,700 but not over \$82,500) 24% (Over \$82,500 but not over \$157,500) 32% (Over \$157,500 but not over \$200,000) 35% (Over \$200,000 but not over \$300,000) 37% (Over \$300,000)</p> <p><u>Head of Household:</u> 10% (Taxable income not over \$13,600) 12% (Over \$13,600 but not over \$51,800) 22% (Over \$51,800 but not over \$82,500) 24% (Over \$82,500 but not over \$157,500) 32% (Over \$157,500 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 37% (Over \$500,000)</p> <p><u>Single Individuals:</u> 10% (Taxable income not over \$9,525) 12% (Over \$9,525 but not over \$38,700) 22% (Over \$38,700 but not over \$82,500) 24% (Over \$82,500 but not over \$157,500) 32% (Over \$157,500 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 37% (Over \$500,000)</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – LOW IMPACT

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Tax Rates (cont.)		<p><u>Capital Gains Tax Rates</u> Short-term capital gains are taxed as ordinary income.</p> <p>For tax year 2017, taxpayers in the 10% and 15% tax brackets pay no tax on long-term gains on most assets; taxpayers in the 25%, 28%, 33%, or 35% income tax brackets face a 15% rate on long-term capital gains. For those in the top 39.6% bracket for ordinary income, the rate is 20%.</p>	<p>The income threshold amounts for each rate bracket will be indexed for inflation using C-CPI-U in tax years beginning after Dec. 31, 2018. The requirement to index the amounts for inflation using the C-CPI-U would not expire. The bill would simplify the “kiddie tax.”</p> <p><u>Capital Gains Tax Rates</u> Under the Act, the breakpoints between the 0% and 15% rates and between the 15% and 20% rates are the same as the under present law. For tax years beginning in 2018, the rate thresholds are as follows:</p> <p><u>Married Filing Jointly (and Surviving Spouses):</u> 15% Rate Threshold - \$77,200 20% Rate Threshold - \$479,000</p> <p><u>Married Filing Separately:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$239,500</p> <p><u>Head of Household:</u> 15% Rate Threshold - \$51,700 20% Rate Threshold - \$452,400</p> <p><u>Other Individuals:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$425,800</p> <p>The above 15% and 20% threshold amounts apply to tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026. These amounts will be indexed for inflation using C-CPI-U in tax years beginning after Dec. 31, 2018. The requirement to index amounts for inflation using C-CPI-U will not expire.</p>

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
708(b)(1)(B) (repeal)	Technical Termination of Partnership	Difficult to apply separate Oregon rule.	A partnership may experience a technical termination if 50% or more of the total interests in partnership capital and profits is sold or exchanged within a 12-month period. The partnership's existence does not necessarily end upon a technical termination. Generally, however, the partnership's tax year closes, partnership-level elections cease to apply, and partnership depreciation recovery periods restart.	Repeals the technical termination rule for partnerships with tax years beginning after Dec. 31, 2017. Thus, a partnership is treated as continuing even if more than 50% of the total capital and profit interest of partnership were sold or exchanged, and new elections are not required or permitted.
5212	Transfer of Bonded Spirits		Bulk distilled spirits in approved containers may be transferred in bond between bonded premises without payment of tax.	<p>The Act allows distilled spirits to be transferred in bond between bonded premises without payment of tax, regardless of whether the distilled spirits are “bulk” distilled spirits.</p> <p>These provisions apply to distilled spirits transferred in bond after Dec. 31, 2017, and before Jan. 1, 2020.</p>
5051, 5414	Transfers of Beer in Bond		Beer may be removed from one brewery to another brewery belonging to the same brewer without payment of tax. Beer may also be removed by one corporation to a brewery owned by another corporation without payment of tax, depending on the controlling interests of the corporations.	<p>The Act allows beer to be transferred between bonded premises without payment of tax, even if the premises are not commonly-owned, as long as the transferee accepts responsibility for any required tax payment.</p> <p>These provisions apply to calendar quarters beginning after Dec. 31, 2017, and before Jan. 1, 2020.</p>


1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
112	Treatment of Certain Individuals Performing Services in the Sinai Peninsula of Egypt	Limited impact.	Members of the Armed Forces serving in combat zones are afforded a number of tax benefits, including the exclusion from income of certain military pay received for any month during which the member served in a combat zone, or was hospitalized as a result of serving in a combat zone; or special estate tax rules or an exemption from taxes applicable to a service member that dies while serving in a combat zone as a result of wounds, disease, or injury incurred while doing so. Special benefits are also available to surviving spouses in the event of a service member's death or missing status.	The Act grants combat zone tax benefits to the Sinai Peninsula of Egypt, if (as of Dec. 22, 2017) any member of the Armed Forces is entitled to special pay for services performed there under 37 U.S.C. Section 310 (which relates to special pay for duty subject to hostile fire or imminent danger). Generally effective beginning June 9, 2015, through any subsequent tax year beginning before Jan. 1, 2026, however the provisions related to wage withholding apply to remuneration paid after Dec. 22, 2017.
263A	UNICAP	Difficult to apply separate Oregon rule.	Under the UNICAP rules, businesses must either include in inventory or capitalize certain direct and indirect costs related to real or tangible property, whether manufactured or acquired for resale. Businesses with less than \$10 million in average gross receipts are exempt from this requirement with respect to personal property acquired for resale. There are also several industry or item specific exemptions from the UNICAP rules.	Effective for tax years beginning after Dec. 31, 2017, taxpayers with average gross receipts of less than \$25 million (indexed for inflation) for the prior three tax years are exempt from the UNICAP rules, regardless of entity structure or industry. Exemptions from the UNICAP rules that are not tied to a gross receipts test are retained. Application of this provision is a change in method of accounting under Section 481.
512, 513	Unrelated Business Taxable Income	Difficult to apply separate Oregon rule.	For amounts paid or incurred before 2018, those amounts used to provide certain fringe benefits (transportation benefits, qualified parking benefits, and access to on-site athletic facilities) to an exempt	The Act requires exempt organizations to include in unrelated business taxable income the amount of certain fringe benefit expenses for which a deduction is

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1. Summary of Changes in the Tax Cuts and Jobs Act of 2017 – **LOW IMPACT**

Code Section	Topic	Comments	Pre-Reform Law	2017 Reform Act
	Unrelated Business Taxable Income (cont.)		<p>organization employee are not treated as unrelated business taxable income.</p> <p>For tax years beginning before 2018, an exempt organization that carries on more than one unrelated trade or business calculates its unrelated business taxable income on an aggregate basis, which allows the organization to use a deduction generated by one trade or business to offset income earned by another.</p>	<p>disallowed, effective for amounts paid or incurred after 2017.</p> <p>The Act also requires that organizations that carry on more than one unrelated trade or business separately calculate unrelated business taxable income for each trade or business, effectively prohibiting using deductions relating to one trade or business to offset income from a separate trade or business. The change would apply to tax years beginning after 2017.</p>



2. Corporate System Change from Worldwide to Territorial

2. Corporate System Change from Worldwide to Territorial

Key elements in the new law – International provisions

Transition Tax	GILTI / FDII	BEAT
<ul style="list-style-type: none"> • Domestic corporations allowed a 100% deduction for the foreign-source portion of dividends received from 10% owned (vote or value) foreign subsidiaries (deduction not available for capital gains or directly-earned foreign income) • One-time transition tax on post-1986 earnings of 10% owned foreign subsidiaries accumulated in periods of 10% US corporate shareholder ownership: <ul style="list-style-type: none"> ○ 15.5% rate on cash and cash equivalents, and 8% rate on the remainder 	<ul style="list-style-type: none"> • Mandatory annual inclusion of “global intangible low-taxed income” (GILTI) determined on an aggregate basis for all controlled foreign corporations owned by the same US shareholder; partial credits for foreign taxes properly attributable to the GILTI amount • Domestic corporations allowed a deduction against foreign-derived intangible income (FDII) (37.5% deduction initially, reduced to 21.875% for tax years beginning after 2025) and mandatory GILTI inclusion (50% deduction initially, reduced to 37.5% for tax years beginning after 2025) 	<ul style="list-style-type: none"> • If certain thresholds are met, a “base erosion and anti-abuse tax” (BEAT) levied on an applicable taxpayer’s taxable income determined without regard to certain deductible amounts paid or accrued to foreign related persons; depreciation or amortization on property purchased from foreign related persons; and certain reinsurance payments to foreign related persons: <ul style="list-style-type: none"> ○ Generally 10% rate for tax years beginning before 2026, and 12.5% thereafter, but 11% and 13.5% for banks and registered securities dealers

2. Corporate System Change from Worldwide to Territorial

Transition Tax

The new law generally eliminates the US's taxation of worldwide income and replaces it with a territorial system:

- Treatment of future foreign earnings:
 - For distributions made after 2017, new IRC Section 245A provides a 100% deduction for the foreign-source portion of dividends received from foreign corporate subsidiaries by a 10% or greater US corporate shareholder.
- Treatment of previously untaxed accumulated foreign earnings:
 - One-time mandatory deemed repatriation of such earnings treated as a special inclusion of Subpart F income to US corporate shareholder(s) on the federal income tax return for the 2017 tax year (this new provision occurs within amended IRC Section 965 and is commonly referred to as the transition tax or toll charge):
 - Measured by controlled foreign corporations (“CFCs”) relevant post-1986 tax-deferred accumulated earnings and profits (E&P) as of November 2, 2017, or December 31, 2017, whichever amount is greater.
 - For example, for calendar year-end US corporate shareholder(s) with relevant calendar year-end controlled foreign corporations (CFCs), this one-time Subpart F income inclusion generally will occur on December 31, 2017.
 - The relevant tax-deferred accumulated earnings deficits of any CFC is generally allowed to offset relevant tax-deferred accumulated earnings of other CFCs when calculating the resulting Subpart F income inclusion for the US corporate shareholder(s):
 - The new law also generally allows the netting to generally be done among all affiliated group members (via amended IRC Section 965(b)'s reference to IRC Section 1504).
 - The transition tax's special, one-time Subpart F income inclusion is subject to reduced rates, and payment of tax can be deferred:
 - The 15.5% tax rate generally applies to the extent held in cash, cash equivalents or certain other short-term assets.
 - The 8% tax rate generally applies to the remainder (which represents accumulated earnings invested in illiquid assets, such as property, plant and equipment).
 - The US shareholder can elect to pay the tax over eight years (with larger payments due in the last three years).

2. Corporate System Change from Worldwide to Territorial

Transition Tax (cont'd)

- Treatment of previously untaxed accumulated foreign earnings (cont'd):
 - The stated rates are obtained through immediate inclusion in gross income of the one-time Subpart F income under amended IRC Section 965(a) and a one-time deduction under amended IRC Section 965(c) against that amount resulting in a 15.5% (or 8% tax rate, as the case may be) depending upon the particular US shareholder's own tax rate as of the date of the return filed for a tax year beginning before 2018):
 - The Subpart F income under amended IRC Section 965(a) **presumably** is reflected in Schedule C of federal Form 1120 which flows to Page 1, Line 4)?
 - The corresponding deduction under amended IRC Section 965(c) **presumably** also is reflected in Schedule C of federal Form 1120 which flows to Page 1, Line 29b as a "special deduction"?
 - Is it possible that the deduction instead will be reflected in the calculation of Page 1, Line 28 FTI?
 - In the example of a 35% corporate taxpayer with a \$1 million gross Subpart F income inclusion under amended IRC Section 965(a) for relevant E&P held in cash, the corresponding deduction under amended IRC Section 965(c) would be approximately \$557,000, thereby resulting in net Subpart F income of \$443,000 being subject to the 35% tax rate on the 2017 federal income tax return, thereby resulting in net tax of approximately \$155,000 (which is approximately 15.5% of the \$1 million gross Subpart F income inclusion).

2. Corporate System Change from Worldwide to Territorial

Transition Tax (cont'd)

2005 IRS Form 1120 (Page 1)

Reporting of IRC Section 965 elective CFC dividend

Form 1120		U.S. Corporation Income Tax Return		OMB No. 1545-0123		
Department of the Treasury Internal Revenue Service		For calendar year 2005 or tax year beginning _____, 2005, ending _____, 20_____		2005		
▶ See separate instructions.						
A Check if:						
1 Consolidated return (attach Form 851)	<input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name	B Employer identification number		
2 Personal holding co. (attach Sch. PH)	<input type="checkbox"/>		Number, street, and room or suite no. If a P.O. box, see instructions.	C Date incorporated		
3 Personal service corp. (see instructions)	<input type="checkbox"/>		City or town, state, and ZIP code	D Total assets (see instructions)		
4 Schedule M-3 required (attach Sch. M-3)	<input type="checkbox"/>			\$		
E Check if: (1) <input type="checkbox"/> Initial return (2) <input checked="" type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change						
1a	Gross receipts or sales	b	Less returns and allowances	c Bal ▶	1c	
2	Cost of goods sold (Schedule A, line 8)				2	
3	Gross profit. Subtract line 2 from line 1c				3	
4	Dividends (Schedule C, line 19)				4	Sch. C, Col. A
5	Interest				5	
10	Other income (see instructions—attach schedule)				10	
11	Total income. Add lines 3 through 10				11	
12	Compensation of officers (Schedule E, line 4)				12	
13	Salaries and wages (less employment credits)				13	
14	Repairs and maintenance				14	
27	Total deductions. Add lines 12 through 26				27	
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				28	
29	Less: a Net operating loss deduction (see instructions)	29a			29a	
	b Special deductions (Schedule C, line 20)	29b			29b	Sch. C, Col. C
30	Taxable income. Subtract line 29c from line 28 (see instructions if Schedule C, line 12, was completed)				30	

In 2005, the Bush administration provided a one-time, elective 85% DRD for dividends from CFC's under IRC Section 965:

- Mechanically, the IRC Section 965 dividend was reported on **Line 4** of the federal return and then deducted as a special deduction on **Line 29b**:
 - Both were reported on Schedule C (**next page**) just like any other dividend.
- The new transition tax is likely to be reported in the same way, but keep in mind that the transition tax is creating a new category of Subpart F income under new IRC Section 965.
- State conformity generally depended upon conformity to the 2005 IRS Form 1120.

2. Corporate System Change from Worldwide to Territorial

Transition Tax (cont'd)

Considerations:

- Consider whether state-specific DRD rules for Subpart F income are tiered based on the **direct** ownership percentage in the CFC (some states may not follow applicable stock ownership attribution rules).
- Consider whether **existing** relevant state-specific subtraction modifications or state-specific DRD statutes that otherwise apply to **current** categories of Subpart F income are worded broadly enough to incorporate amended IRC Section 965 Subpart F income.
- Consider whether relevant states (particularly separate reporting states) will respect the E&P netting process under IRC Section 965(b), particularly given the IRC Section 1504 reference.
- Consider whether the Subpart F income is considered a “gross receipt” for sales factor purposes
- Tax haven legislation may require special carve outs for the Subpart F income to be made in water’s edge reporting arrangements to avoid double tax on relevant E&P

2. Corporate System Change from Worldwide to Territorial

Anti-Deferral Provisions (GILTI and FDII)

- The new law contains new anti-deferral provisions, effective for tax years beginning after 2017, that appear aimed at imposing a global minimum tax on certain excess returns of a CFC on presumed “intangible” income:
 - The minimum tax result is achieved by pegging this revenue-raising provision with a new deduction that appears designed to encourage the realization of such excess returns related to the sale of goods and services to foreign customers directly through US operations.
 - Creates both a “**carrot**” and a “**stick**” for the taxation of certain earnings from foreign sources:
 - The “**stick**” is in the form of a new category of CFC income under new IRC Section 951A called “global intangible low-taxed income” (or GILTI), and the US corporate shareholder of any CFC will include in gross income for a tax year its GILTI inclusion in a manner generally similar to inclusions of Subpart F income:
 - The calculation is complicated, but the GILTI inclusion generally will be computed at the US shareholder level on an aggregate basis, taking into account certain net “tested income” and “tested loss” of all of its CFCs.
 - The corresponding “**carrot**” is the generation of a new deduction under new IRC Section 250 for US corporations for their “foreign-derived intangible income” (FDII) and GILTI inclusion (including any corresponding IRC Section 78 dividends):
 - Similar to the GILTI inclusion, the FDII calculation is complicated, but unlike the GILTI inclusion which is a new gross income inclusion in Form 1120, FDII instead is a tax-fiction calculation that is based off of the US corporate shareholder’s existing gross income on Lines 1c and 4 through 10 and is generally calculated solely for the purpose of determining the corresponding component of the new deduction under new IRC Section 250.
 - The new deduction generally will be calculated as 37.5% of a US corporation’s FDII plus 50% of the sum of its GILTI inclusion and corresponding IRC Section 78 dividends such that under the new 21% corporate income tax rate, it will generally subject a US corporation’s FDII and GILTI inclusion (including corresponding IRC Section 78 dividends) to a federal effective tax rate of 13.125% and 10.5%, respectively, for tax years beginning after 2017 and before 2026, and a lower deduction for tax years beginning after 2025, resulting in a federal effective tax rate of 16.406% and 13.125%, respectively.

2. Corporate System Change from Worldwide to Territorial

Anti-Deferral Provisions (cont'd)

- How the deduction under new IRC Section 250 will be reflected on the federal income tax return could impact the resulting state income tax treatment:
 - If this new deduction is reflected on the federal income tax return as a new deduction in calculating FTI before the NOL deduction and special deductions (such as the IRC Section 199 deduction), then to the extent a conforming state uses FTI as its starting point, the new deduction generally will be included in the state tax base unless the state decouples:
 - But if such a state also provides for a full exclusion/subtraction modification for the GILTI inclusion, might that result in “double deduction” for the GILTI component of the new IRC Section 250 deduction?
 - Since new IRC Section 250 is included in Part VIII of the IRC which “houses” many (but not necessarily all) “special deductions,” is it possible that the new deduction might ultimately be reflected on Page 1, Line 29b, of the federal income tax return as a “special deduction?”
 - If so, the analysis and resulting state impact could be very different in certain states (particularly based on what we learn from the “mechanical” considerations under the transition tax).
 - Is it possible that the new deduction might be split between FDII and the GILTI inclusion (including corresponding IRC Section 78 dividends) and reflected in separate areas of the federal income tax return?
- For purposes of a particular state's Subpart F income subtraction modification statute or its own DRD statute, does it matter that a GILTI inclusion is a separate inclusion under new IRC Section 951A rather than a regular Subpart F income inclusion under IRC Section 951(a)?
- While FDII will be relatively easy to trace for state apportionment factor purposes, because the GILTI inclusion is recognized by a US shareholder that did not itself directly earn the income, questions arise as to how it will be treated for apportionment factor representation purposes (as well as raising potential allocation and unitary issues).
- Due to tax haven legislation, special carve outs for the GILTI inclusion might need to be made in their water's edge reporting arrangements to avoid double tax on relevant CFC income
- Lastly, the treatment of foreign income in conforming states raise new questions as to whether a state can impose such taxes in light of Constitutional limitations, especially under the Foreign Commerce Clause, as well as the possibility that such taxes operate as tariffs and may be precluded under the Import-Export Clause.

2. Corporate System Change from Worldwide to Territorial

Anti-Base Erosion Provision (BEAT)

- As part of anti-base erosion efforts, the new law imposes new rules, effective for tax years beginning after 2017, for certain payments to related foreign parties; specifically, the new law creates a new “base erosion and anti-abuse tax” (BEAT) under new IRC Section 59A:
- The BEAT is effectively a minimum tax that applies to corporations (other than regulated investment companies (RICs), real estate investment trusts (REITs) and S-corporations) that are subject to US net income tax with average annual gross receipts of at least \$500 million over a rolling three-year period, and that have made related-party deductible payments totaling 3% (2% in the case of banks and certain security dealers) or more of the corporation’s total deductions for the year:
 - A corporation subject to the BEAT generally determines the amount of tax owed under the provision (if any) by adding back to its adjusted taxable income for the year all deductible payments made to a foreign affiliate (“base erosion payments”) for the year (the “modified taxable income”).
 - Base erosion payments do not include cost of goods sold, certain amounts paid with respect to services, and certain qualified derivative payments.
 - The excess of 10% (5% in the case of one taxable year for base erosion payments paid or accrued in taxable years beginning after 2017) of the corporation’s modified taxable income over its regular tax liability for the year (net of an adjusted amount of tax credits allowed) is the base erosion minimum tax amount that is owed.
 - For tax years beginning before 2026, generally a 10% tax rate, and 12.5% thereafter (but 11% and 13.5% for banks and registered securities dealers).
 - The new law also makes a notable modification to the Senate bill provision which mostly eliminates the penalty in the BEAT calculation for companies that take advantage of certain business tax credits, including the LIHTC and certain renewable electricity production tax credits.
- Although not entirely clear at this point, the BEAT appears to be a completely new tax regime that will not be directly incorporated into a determination of FTI and thus, not directly incorporated into state tax bases (similar to the federal corporate AMT).



3. Pass-Thru Income Deduction

3. Pass-Thru Income Deduction

	Federal Qualified Business Income Deduction	Oregon Pass-Through Entity Income Reduced Tax Rate
Eligible taxpayers	<p>Noncorporate taxpayers who have qualified business income (QBI) from a:</p> <ul style="list-style-type: none"> • Partnership, • S corporation, or • Sole proprietorship. <p>The deduction is taken for partnerships and S corporations at the partner or shareholder level.</p> <p>Trusts and estates are eligible for the deduction.</p> <p>Specified agricultural and horticultural cooperatives are eligible for the deduction under special rules.</p> <p>Taxpayers in certain service-related businesses are eligible for the deduction. However, the deduction for taxpayers in service businesses is phased out if the taxpayer's taxable income exceeds the threshold amount of \$157,500 (\$315,000 in the case of a joint return).</p>	<p>Individual taxpayers who have qualifying income from a:</p> <ul style="list-style-type: none"> • Partnership or • S corporation.
Qualifying income	<p>QBI is all domestic business income other than certain investment income.</p> <p>QBI includes qualified REIT dividends, qualified cooperative dividends, and qualified publicly traded partnership income.</p>	<p>Qualifying income is nonpassive income from a partnership or S corporation in which the taxpayer or spouse materially participated.</p> <p>The partnership or S corporation must have employed at least one non-owner employee for 1,200 or more hours during the tax year in Oregon.</p>
Non-qualifying income	<p>QBI does <u>not</u> include certain types of investment income, e.g., interest income (unless the interest is properly allocable to the business), dividends (other than qualified REIT dividends and cooperative dividends), and capital gains or losses. Employee compensation and guaranteed payments to a partner are also excluded.</p>	<p>Nonpassive income does <u>not</u> include wages, interest, dividends, or capital gains for the purposes of the reduced tax rate.</p> <p>Qualifying income does <u>not</u> include income from trusts, estates, sole proprietorships, qualified joint ventures, and disregarded entities.</p>

3. Pass-Thru Income Deduction

	Federal Qualified Business Income Deduction	Oregon Pass-Through Entity Income Reduced Tax Rate
Calculation	<p>The deduction is generally 20% of a taxpayer's QBI from a partnership, S corporation, or sole proprietorship.</p> <p>The deduction reduces taxable income, rather than adjusted gross income, but is available whether or not a taxpayer itemizes.</p>	<p>The tax is computed on the taxpayer's (i) nonqualifying income using the regular tax rates and (ii) qualifying income, as adjusted for depreciation, using the reduced tax rates. The sum of these is compared with the regular tax computed on the taxpayer's taxable income. The taxpayer may elect to use the preferential pass-through tax rates if more beneficial.</p>
Limitations	<p>In general, the deduction cannot exceed 20% of the excess of the taxpayer's taxable income over net capital gain.</p> <p>Taxpayers whose taxable income exceeds the threshold amount of \$157,500 (\$315,000 in the case of a joint return) are subject to limitations based on the W-2 wages and the adjusted basis in acquired qualified property. The deduction cannot exceed the greater of:</p> <ul style="list-style-type: none"> (A) 50% of W-2 wages paid with respect to the QBI or (B) The sum of 25% of W-2 wages plus 2.5% of the unadjusted basis of qualified depreciable tangible property. 	<p>The preferential rates are <u>not</u> available for pass-through income in excess of \$5 million.</p>
Expiration	<p>The deduction will not apply to tax years beginning after December 31, 2025.</p>	
Other provisions		<p>The PTE reduced tax rate is an irrevocable election for each tax year that must be made on the original return or an amended return filed before the due date, excluding extensions.</p>



4. Oregon Estate Tax

4. Oregon Estate Tax

Impact on Oregon Estate Tax filings

In general, Oregon estate taxes and estate tax filings, should not be impacted by the new changes to the federal gift and estate tax exemption. A few Oregonians might decide not to fund a spousal trust at the death of the first spouse, and instead opt for a step-up in basis in their assets at the death of the surviving spouse. This would help the taxpayer to minimize federal and state income taxes, in lieu of saving some Oregon estate tax dollars. However, we generally do not expect a real change in the number of estates being filed.



5. IRS Guidance

5. IRS Guidance

We expect the IRS to issue regulations and other guidance regularly throughout the upcoming year, in response to the significant changes included in the 2017 legislation, Pub. L. No. 115-97. Although the IRS has not released a schedule for issuing proposed regulations, the AICPA and the accounting profession will work closely with the IRS to provide input and suggestions for efficient and effective tax administration particularly in the areas of section 199A, section 481 and the underpayment of taxes.

Specifically for section 199A, guidance is needed on the definition of specified service trade or business, the calculation of qualified business income and the interaction of section 199A with other code sections. Regarding section 481 accounting method changes, general procedural guidance is needed for making accounting method changes in order to comply with the new rules. Finally, taxpayers and practitioners need to calculate appropriate withholding and estimated tax payments that are impacted by provisions effective for 2017 or for 2018.