



Agricultural Law Press
Publisher/Editor
Robert P. Achenbach, Jr.
Contributing Editor
Dr. Neil E. Harl, Esq.
* * * *

Issue Contents

Bankruptcy

Chapter 12
Automatic stay 3

Federal Estate and Gift Taxation

Allocation of basis for deaths in 2010 3

Federal Farm Programs

Conservation 3
Organic food 3

Federal Income Taxation

Alternative fuel mixture credit 3
Casualty losses 3
Charitable deductions 4
Corporations
Income 4
Deduction for property taxes 5
Disaster losses 4
Domestic production activities credit 4
Health insurance 5
Mileage deduction 5
Patronage allowance deduction 6
Partnerships
Administrative adjustments 6
Election to adjust basis 6
Returns 6
Pension plans 6
Safe harbor interest rates
January 2018 6
S Corporations
Eligible shareholder 6
Entity separate from shareholders 7
Second class of stock 7
Social security taxes 7

Agricultural Law Digest

Volume 29, No. 1

January 5, 2018

ISSN 1051-2780

Tax Cuts and Jobs Act

Periodically, the Federal Government schedules a systematic view of issues confronting the country. The latest was concluded in late December 2017. The event was identified as focusing on “Tax Cuts and Jobs Act.”

In this issue we focus on a range of issues and the results of tax rates and other important concerns.

Selected provisions

The increase in the estate and gift tax exemptions, starting in 2018 and running until 2025 by substituting \$10,000 for \$5,000 (actually from \$5,600,000 in 2018) to \$11,200,000.

For farm property, what has been 7-year property apparently becomes 5-year property as it was for one year in 2009.

The 150 percent declining balance is apparently ended for property placed in service after December 31, 2017.

In a highly important issue, like-kind exchanges are now limited to real property (this had become a controversial issue). Also, in the like-kind rules, a provision in the Act, rooted in Subchapter K, specifies that like-kind exchanges are to be treated *as an interest in assets and not as an interest in the partnership*.

In the Tax Cuts and Jobs Act, no deduction is allowed for entertainment expenses and only 50 percent of the expenses for meals provided on or near business premises is now allowed. No deduction is allowed for any reimbursement for travel between home and work except as necessary to ensure the safety of the employer other than qualified commuting after 2025.

The provisions also contain a denial of deductions for settlements subject to non-disclosure agreements paid in connection with sexual harassment or sexual abuse.

With respect to the Section 179 limit, the Act eliminates the \$500,000 (plus) limit, substituting \$1,000,000. The overall limit is elevated to \$2,500,000. Moreover, it expands to include “qualified real property.”

The Act states that there are modifications to depreciation limitations on luxury automobiles and personal use property but does not specify what they have in mind.

The text of the new legislation can be found here:

<https://www.congress.gov/bill/115th-congress/house-bill/1/text>

* Charles F. Curtiss Distinguished Professor in Agriculture and Emeritus Professor of Economics, Iowa State University; member of the Iowa Bar.

As listed in the published *The Tax Cuts and Jobs Act*, the tax rates are as follows (for years after 2017 and before January 1, 2026).

Tax Rates

After 2017 and before January 1, 2026

Married individuals filing joint returns and surviving spouses—

<u>If taxable income is</u>	<u>Then the tax is</u>
Not over \$19,050	10% of taxable income
Over \$19,050 but not over \$77,400	\$1,905 plus 12% of the excess over \$19,050
Over \$77,400 but not over \$165,000	\$8,907 plus 22% of the excess over \$77,400
Over \$165,000 but not over \$315,000	\$28,179 plus 24% of the excess over \$165,000
Over \$315,000 but not over \$400,000	\$64,179 plus 32% of the excess over \$315,000
Over \$400,000 but not over \$600,000	\$91,379 plus 35% of the excess over \$400,000
Over \$600,000	\$161,379 plus 37% of the excess over \$600,000

Heads of households—

<u>If taxable income is</u>	<u>The tax is</u>
Not over \$13,600	10% of the taxable income
Over \$13,600 but not over \$51,800	\$1,360 plus 12% of the excess over \$13,600
Over \$51,800 but not over \$82,500	\$5,944 plus 22% of the excess over \$51,800
Over \$82,500 but not over \$157,500	\$12,698 plus 24% of the excess over \$82,500
Over \$157,500 but not over \$200,000	\$30,698 plus 32% of the excess over \$157,500
Over \$200,000 but not over \$500,000	\$44,298 plus 35% of the excess over \$200,000
Over \$500,000	\$149,298 plus 37% of the excess over \$500,000

Unmarried individuals other than surviving spouses and heads of households—

<u>If taxable income is</u>	<u>The tax is</u>
Not over \$9,525	10% of the taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of the excess over \$9,525
Over \$38,700 but not over \$82,500	\$4,453.50 plus 22% of excess over \$38,700
Over \$82,500 but not over \$157,500	\$14,089.50 plus 24% of excess over \$82,500
Over \$157,500 but not over \$200,000	\$32,089.50 plus 32% of excess over \$157,500
Over \$200,000 but not over \$500,000	\$45,689.50 plus 35% of excess over \$200,000
Over \$500,000	\$150,689.50 plus 37% of excess over \$500,000

Married filing separately—

<u>If taxable income is</u>	<u>The tax is</u>
Not over \$9,525	10% of taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of excess over \$9,525
Over \$38,700 but not over \$82,500	\$4,453.50 plus 22% of excess over \$9,525
Over \$82,500 but not over \$157,500	\$14,089.50 plus 24% of excess over \$82,500
Over \$157,500 but not over \$200,000	\$32,089.50 plus 32% of excess over \$157,500
Over \$200,000 but not over \$300,000	\$45,689.50 plus 35% of excess over \$200,000
Over \$300,000	\$80,689.50 plus 37% of excess over \$300,000

Estates and Trusts

<u>If taxable income is</u>	<u>The tax is</u>
Not over \$2,550	10% of taxable income
Over \$2,550 but not over \$9,150	\$255 plus 24% of excess over \$2,550
Over \$9,150 but not over \$12,500	\$1,839 plus 35% of the excess over \$9,150
Over \$12,500	\$3,011.50 plus 37% of excess over \$12,500

The text of the new legislation can be found here:

<https://www.congress.gov/bill/115th-congress/house-bill/1/text>