Grant Thornton

Topic	Subtopic	Description of H.R. 1	Income Tax Accounting Considerations
Corporation	Corporate Alternative Minimum Tax	For tax years beginning after Dec. 31, 2017, would repeal corporate AMT. Would continue 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 would be refundable 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. No expiration.	• Companies will need to estimate the amounts of AMT credit carryforwards to be refunded for potential reclassification from a deferred tax asset to current and / or noncurrent income tax receivables. • Companies with valuation allowances offsetting their deferred tax assets for AMT credit carryforwards would record adjustments to those valuation allowances in the period of enactment.
Corporation	Corporate Tax Rate	The 21% flat corporate tax rate would be effective January 1, 2018. Would repeal the maximum corporate tax rate on net capital gain as obsolete. No special rate for personal service corporations. Would reduce the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%. No expiration.	• The total effect of tax law changes on deferred tax balances, including any resulting changes to valuation allowances, is recorded as a component of income tax expense in the period in which the law is enacted (i.e., discrete item). These adjustments are included in tax expense attributable to continuing operations even if the deferred tax balances relate to a prior year or prior interim period transaction that was reported as a discontinued operation or an item within shareholders' equity (e.g., other comprehensive income). For example, if tax law is enacted in Q4 of 2017, for calendar year-end taxpayers, then the impact of a rate reduction on the revaluation of existing temporary differences as of 12/31, 2017 would be recorded as a discrete item in Q4 of 2017 as a component of continuing operations. • Additionally, the 21% tax rate will be used to determine the current income taxes payable (and current tax provision) in the year in which the tax law becomes effective - as opposed to enacted. Should tax law be enacted after the balance sheet date but before issuance of the financial statements, an entity generally should disclose in the notes to the financial statements significant effects of changes in tax laws or rates that are not yet recognized.
Corporation	Cash Method of Accounting	The $5 million average gross receipts threshold for corporations and partnerships with corporate partners that are not allowed to use the cash method of accounting would be increased to $25 million (indexed for inflation) and would be extended to certain farming entities for tax years beginning after Dec. 31, 2017. The requirement that such businesses satisfy the requirement for all prior years would be repealed.	A taxpayer electing to change its method of accounting would need to consider the impact on cumulative temporary differences in the period of the method change as well as the impact of a Section 481(a) adjustment at potentially differing corporate income tax rates.
Corporation	Accounting for Inventories	Currently, taxpayers with average gross receipts of less than $10 million ($1 million in certain industries) are permitted to account for inventories as materials and supplies that are not incidental. The bill would increase the average gross receipts threshold from $10 million to $25 million (indexed for inflation), regardless of industry, and allow such taxpayers to either treat inventories as materials and supplies that are not incidental or conform to the taxpayer's financial accounting treatment.	A taxpayer electing to change its method of accounting would need to consider the impact on cumulative temporary differences in the period of the method change as well as the impact of a Section 481(a) adjustment at potentially differing corporate income tax rates.
Corporation	UNICAP	The bill would increase the average gross receipts threshold for the UNICAP rules from $10 million to $25 million (indexed for inflation). Exemptions from the UNICAP rules that are not tied to a gross receipts test will be retained.	A taxpayer electing to change its method of accounting would need to consider the impact on cumulative temporary differences in the period of the method change as well as the impact of a Section 481(a) adjustment at potentially differing corporate income tax rates.
Corporation	Expensing Costs of Replanting Citrus Plants	Would allow 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 §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 the date of enactment but not later than 10 years from the date of enactment.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the replanting costs are incurred.
Corporation	Craft Beverage Modernization: Exempt Aging Period from UNICAP	The aging periods of beer, wine, and distilled spirits would be excluded from calculation of the production period for purposes of the UNICAP interest capitalization rules. The exclusion would apply to interest costs paid or accrued after 2017 and expires after 2019.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the interest costs are incurred.
Corporation	Accounting for Long- term Contracts	The $10 million average gross receipts exception to the requirement to use the percentage-of-completion accounting method for long-term contracts to be completed within two years would be increased to $25 million (indexed for inflation) for contracts entered into after 2017, and businesses that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method).	A taxpayer electing to change its method of accounting would need to consider the impact on cumulative temporary differences in the period of the method change as well as the impact of a Section 481(a) adjustment at potentially differing corporate income tax rates.
Corporation	Local Lobbying Expenses	The bill would eliminate the deduction for lobbying expenses regarding legislation before local government bodies, including Indian tribal governments, effective for amounts paid or incurred on or after the date of enactment.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Other Accounting Methods	Effective for tax years beginning after Dec. 31, 2017, the all events test with respect to any item of gross income would not be 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 would apply 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 §1271-§1288). Would codify 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 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.	A taxpayer requiring to change its method of accounting would need to consider the impact on cumulative temporary differences as of the enactment date as well as the impact of a Section 481(a) adjustment at potentially differing corporate income tax rates.
Corporation	Certain Contributions by Governmental Entities Not Treated as Contributions to Capital	For contributions made and transactions entered into after the date of enactment, contributions to capital of a corporation would be included in a corporation's gross income if made as a "contribution to construction" or by "a customer or potential customer" or from any governmental entity or civic group (other than a contribution made by a shareholder as such). Effective for contributions made after date of enactment except for contributions made after enactment by a governmental entity pursuant to a master development plan that has been approved prior to such date by a governmental entity.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the contributions to capital are made.
Corporation	Rollover of Publicly Traded Securities Gain into SSBICs	For sales after 2017, repeal of rule permitting rollover of gains on publicly traded securities to an SSBIC.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the gains are incurred.

Entity	Provision	Description	Accounting Implications
Corporation	Temporary 100% Expensing for Certain Business Assets	The bill would initially allow full expensing for property placed in service after Sept. 27, 2017, reducing the percentage that may be expensed for property placed in service after Jan. 1, 2023, as follows: • For property placed in service after Sept. 27, 2017, and before Jan. 1, 2023, 100% expensing. • For property placed in service after Dec. 31, 2022, and before Jan. 1, 2024, 80% expensing. • For property placed in service after Dec. 31, 2023, and before Jan. 1, 2025, 60% expensing. • For property placed in service after Dec. 31, 2024, and before Jan. 1, 2026, 40% expensing. • For property placed in service after Dec. 31, 2025, and before Jan. 1, 2027, 20% expensing. Property with longer production periods and plant bearing fruits and nuts would have a different phase ins from the above. The bill would eliminate the requirement that the original use of the qualified property commence with the taxpayer. The bill would follow the present-law phase-down of bonus deprecation to property acquired before Sept. 28, 2017, and placed in service after Sept. 27, 2017, as well as the present-law phase-down of the §280F increase amount in the limitation on the depreciation deductions allowed with respect to certain passenger automobiles acquired before Sept. 28, 2017, and placed in service after Sept. 27, 2017. Under the bill, the taxpayer's election to claim prior year minimum tax credits in lieu of bonus depreciation would be repealed. The repeal of this election would be effective for tax years beginning after 2017. Taxpayers could elect 50% in lieu of 100% expensing for qualified property placed in service during the first tax year ending after Sept. 27, 2017.	• In the period of enactment, companies will need to determine whether capital expenditures made after Sept. 27, 2017, qualify for immediate expensing and consider the effect of on any current and deferred tax balances as a result of this accelerated depreciation. • Additionally, companies should consider the implications that the increased bonus depreciation will have on the realizability of any resulting deferred tax assets. Accelerated depreciation may create and / or increase NOL carryforwards and may also create taxable temporary differences that may be considered a source of income for purposes of assessing the realizability of deferred tax assets.
Corporation	Depreciation Limitation for Luxury Automobiles and Personal Use Property	The bill would increase the depreciation limitations under §280F 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. The bill provides that the amounts will be indexed for inflation for automobiles placed in service after 2018. Also effective for property placed in service after Dec. 31, 2017, the bill would remove computer or peripheral equipment from the definition of listed property.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Luxury Automobiles and / or Personal Use Property are placed into service.
Corporation	Recovery Period for Farming Property	The bill would repeal the requirement that property used in a farming business use the 150% declining balance method, effective for property placed in service after Dec. 31, 2017. JCT Summary specifies that the provision would shorten the recovery period from seven years to five years for machinery or equipment used in a farming business that is placed in service after Dec. 31, 2017.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Qualified Farming Property is placed into service.
Corporation	Depreciation Deductions for Nonresidential Real Property and Residential Rental Property	Generally effective for property placed in service after Dec. 31, 2017, the bill would: provide a 15-year recovery period for qualified improvement property; eliminate the separate definitions of "qualified leasehold improvement property", "qualified restaurant property", and "qualified retail improvement property"; provide a 20-year ADS recovery period for all qualified improvement property; require a real property trade or business electing out of the interest expense deduction limitation to use ADS to depreciate its nonresidential real property, residential rental property, and qualified improvement property; and lower the ADS recovery period to 30 years for residential rental property.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Nonresidential Real Property is placed into service.
Corporation	Use of Alternative Depreciation System for Electing Farming Businesses	The bill would require an electing farming business to use ADS to depreciate property with a recovery period of 10 years or more, effective for tax years beginning after Dec. 31, 2017.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the this election is made.
Corporation	Limitation on Business Interest Expense Deduction	The bill would limit the deduction for net interest expenses incurred by a business in excess of the sum of 30% of the business's adjusted taxable income, the business interest income, and the floor plan financing interest. For tax years beginning before January 1, 2022, adjusted taxable income is computed without regard to any deduction allowable for depreciation, amortization, or depletion. Businesses with average annual gross receipts of $15 million or less would be exempt from the limit. Disallowed interest could be carried forward indefinitely. The bill would allow real property trades or business that use the ADS and farming businesses to elect not to be subject to the business interest deduction limitation. The bill would require farming businesses that make this election to use the ADS to depreciate property used in the farming business with a recovery period of 10 years or more. The interest deduction limit would not apply to certain regulated public utilities or to certain electric cooperatives. Effective for tax years beginning after Dec. 31, 2017	Companies would include the tax effect of current-year interest disallowed, as a result of the limitations on net interest deductibility, in their estimated annual effective tax rate, including determination of the realizability of any excess interest carryforwards. In addition, indefinite carryforward provides additional positive evidence with regards to the realizability of excess interest carryforwards.
Corporation	Deductions for Income Attributable to Domestic Production Activities	Effective for tax years beginning after Dec. 31, 2017, the bill would repeal the deduction allowed for domestic production activities. The deduction would not be extended for Puerto Rico activities.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Section 179 Expensing	The bill would increase the amount that a taxpayer may expense under §179 to $1,000,000. The bill would also increase the phaseout threshold to $2,500,000. These amounts would be indexed for inflation for tax years beginning after 2018. The $25,000 cost limitation for SUVs would also be indexed for inflation beginning in 2019. The bill would also expand 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.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Section 179 property is placed into service.
Corporation	NOL Deduction	The bill would limit the NOL deduction to 80% of taxable income and provide that amounts carried to other years be adjusted to account for the limitation for losses arising in tax years beginning after Dec. 31, 2017. NOLs of property and casualty insurance companies may be carried back two years and carried forward 20 years to offset 100% of taxable income in such years. The bill would eliminate carrybacks (except for farming NOLs, which would be permitted a two-year carryback) and would allow unused NOLs to be carried forward indefinitely.	• Companies will need to reassess the realizability of their NOL carryforwards and whether all, or a portion, of their existing NOL carryforwards will be utilized before the corporate income tax rate takes effect. Companies will need to record a valuation allowance in the period of enactment if it is more likely than not that all or a portion of their deferred tax assets will not be realized. Significant changes to the NOL carryforward that may impact a company's reassessment would include (1) elimination of the carryback and (2) the indefinite carryforward period. • In the period of enactment, companies will need to remeasure at the 21% tax rate the deferred tax assets related to NOL carryforwards that will not be realized at the 35% tax rate.

Corporation	Like-Kind Exchanges of Real Property	The bill would limit the nonrecognition of gain for like-kind exchanges to real property that is not held primarily for sale. The bill would generally apply to exchanges completed after Dec. 31, 2017. However, an exception would be provided for any exchange if either the property being exchanged or the property received is exchanged or received on or before Dec. 31, 2017.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Like-Kind exchange takes place.
Corporation	Entertainment, etc. Expenses	No deduction would be 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 any of the above. The bill would repeal 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). Deduction for 50% of food and beverage expenses associated with operating a trade or business generally would be retained. The bill would expand the 50% limit to include employer expenses associated with providing food and beverages to employees through an eating facility meeting de minimis fringe requirements. The bill would disallow 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. The bill would disallow employer deductions for expenses associated with meals provided for the employer's convenience on, or near, the employer's business premises through an employer-operated facility that meets certain requirements. Would generally apply to amounts paid or incurred after Dec. 31, 2017, but elimination of deduction for meals provided at convenience of employer would apply to amounts paid or incurred after Dec. 31, 2025.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Deduction for FDIC Premiums	Effective for tax years beginning after 2017, the bill would limit the current deduction for FDIC premiums to institutions with consolidated assets over $10 billion.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Self-Created Property not Treated as a Capital Asset	Would treat gain or loss from the disposition of a self-created patent, invention, model or design, or secret formula or process as ordinary in character. Would preserve the election to treat musical composition and copyright in musical works as a capital asset. Effective for disposition of such property after 2017.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the disposition of Self-Created Property takes place.
Corporation	Amortization of Research and Experimental Expenditures	Specified research or experimental expenditures, including software development expenditures, would have to be capitalized and amortized over a five-year period (15 years if expenditures are attributable to research conducted outside of the United States). Land acquisition and improvement costs and mine (including oil and gas) exploration costs would not be subject to this rule. Upon retirement, abandonment, or disposition of property, any remaining basis would continue to be amortized over the remaining amortization period. This rule would apply to research or experimental expenditures paid or incurred during tax years beginning after Dec.31, 2021.	Companies would need to consider the impact that this provision would have on current taxes payable as well as any impact on deferred tax assets or liabilities in the year in which the Research and Experimental Expenditures are incurred. Companies that may be used to simply deducting all research and experimental expenditures would now need to go through, what could be, extensive analysis to identify those costs which would be subject to this provision.
Corporation	Credit for Clinical Testing Expenses for Certain Drugs and Rare Diseases	The bill would limit the orphan drug credit to 25% of qualified clinical testing expenses for the tax year. The bill would also impose reporting requirements similar to those required in §48C and §48D. Taxpayers would also be able to elect a reduced credit in lieu of reducing otherwise allowable deductions (similar to the research credit under §280C). Effective for tax years beginning after Dec. 31, 2017.	Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective.
Corporation	Rehabilitation Credit	The bill would provide 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. Provision would apply to amounts paid or incurred after Dec. 31, 2017 but with a transition rule applicable to qualified rehabilitation expenditures (for either a historic structure or a pre-1936 building), with respect to any building owned or leased by the taxpayer at all times on or after Jan. 1, 2018, through the 24-month period selected by the taxpayer (or the 60- month period selected by the taxpayer under the rule for phased rehabilitation) that is to begin not later than the end of the 180-day period beginning on the date of the enactment of the act.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on the ability to utilize any related credit carryforwards existing as of the date of enactment.
Corporation	Advance Refunding Bonds	The bill would repeal the exclusion from gross income of interest on a bond issued to advance refund another bond. The bill would make this change effective for advance refunding bonds issued after Dec. 31, 2017.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on the ability to utilize any related credit carryforwards existing as of the date of enactment.
Corporation	Tax Credit Bonds	The bill would repeal the authority to issue new tax credit bonds issued after Dec. 31, 2017.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on the ability to utilize any related credit carryforwards existing as of the date of enactment.
Insurance	Net Operating Losses of Life Insurance Companies	The bill would permit NOL deductions for life insurance companies under §172, which would be determined by treating the NOL for any tax year generally as the excess of the life insurance deductions for that year over the life insurance gross income for that year. The proposal would be effective for losses arising in tax years beginning after Dec. 31, 2017. The bill would preserve present law for the NOLs of property and casualty insurance companies in which those NOLs are carried back two years and carried over 20 years to offset 100% of taxable income in such years.	Life insurance companies would receive the same treatment for NOLs as other companies under §172, including the elimination of any NOL carryback opportunity and a deduction limitation of 80% of taxable income. The proposal also provides an indefinite carryforward period for unused NOLs for Life companies. Property and casualty insurance companies would be able to carryback for 2 years and carryforward for 20 years. As such, for Life insurance companies, the first component of the admissibility test, SSAP No. 101 paragraph 11.a. would be much less impactful (due to the repeal of the NOL carryback). Paragraph 11.b. of the admissibility test would take on greater importance for determining a life insurance company's net admitted deferred tax assets. NOL DTAs would further be limited as part of the 1 year or 3 year reversals due to the 80% NOL limitation. However, the impact on P&C companies with respect to SSAP 101 would generally be much less significant. This change would be effective for tax years that begin after 2017. It is important to note that capital loss carrybacks/carryforwards were not addressed by the latest proposal.
Insurance	Small Life Insurance Companies	Effective for tax years beginning after Dec. 31, 2017, the bill would repeal the small life insurance company deduction.	The repeal would increase the company's calculation of its current tax liability and negatively impact small life insurance companies.
Insurance	Adjustment in Computing Life Insurance Company Reserves	The bill provides that effective for tax years beginning after Dec. 31, 2017, income or loss resulting from a change in method of computing life insurance company reserves would be taken into account consistent with IRS procedures (generally ratably over a four-year period).	Accounting method changes would need to be filed with the IRS and considered in the income tax provision. Unfavorable changes would generally be taken into account over the course of four tax years, beginning with the tax year in which the accounting method change occurs, while favorable changes would generally be taken into account in the tax year in which the accounting method change occurs. The deferred provision would need to be adjusted accordingly.

Insurance	Computation of Life Insurance Tax Reserves		
		Generally effective for tax years beginning after Dec. 31, 2017, the bill would modify items taken into account in the computation of life insurance tax reserves.	Companies would need to review and potentially revise their computations of life insurance company reserves. As noted above, an adjustment in computing life insurance company reserves would be treated as a change in method of accounting. Accounting method changes would need to be filed with the IRS and considered in the income tax provision. Unfavorable changes would generally be taken into account over the course of four tax years, beginning with the tax year in which the accounting method change occurs, while favorable changes would generally be taken into account in the tax year in which the accounting method change occurs. The deferred provision would need to be adjusted accordingly.
Insurance	Dividends Received Deduction for Life Insurance Companies		
		The bill would amend §812 to provide that, for purposes of §805(a)(4), the term "company's share" means 70%, with respect to any tax year beginning after Dec. 31, 2017. The bill would also amend §812 to provide that, for purposes of §807, the term "policy holder's share" means 30%, with respect to any tax year beginning after Dec. 31, 2017.	The proposal would change the deductible amount of reserve for losses incurred. Although the proposal significantly simplifies the calculations of the company's share vs. the policyholder's share, depending on each company's facts, the results may have a significant impact on the amount of the dividend received deductions to the company, which would be a permanent book to tax adjustment impacting the effective tax rate.
Insurance	Property and Casualty Insurance Companies		
		The bill would modify the proration rules by requiring a reduction in losses equal to 5.25% divided by the applicable top corporate tax rate. The bill would also modify the loss reserve discounting rules used by property and casualty insurance companies. Both provision would generally be effective for tax years beginning after Dec. 31, 2017. Transition rules are also proscribed for the 2018 tax year.	The provision modifies the reserve discounting rules applicable to property and casualty insurance companies. In general, the provision modifies the prescribed interest rate, extends the periods applicable under the loss payment pattern, and repeals the election to use a taxpayer's historical loss payment pattern. Transition rules starting in the 2018 tax year proscribe that any adjustment is spread over 8 taxable years. (i.e., is included in the taxpayer's gross income ratably in the first taxable year beginning in 2018 and the seven succeeding taxable years.)
Insurance	Estimated Tax Payments of Insurance Companies		
		Effective for tax years beginning after Dec. 31, 2017, the bill would repeal the §847 election and related items under present law.	The proposal would repeal the election to claim a deduction equal to the difference between the amount of reserves computed on a discounted basis and the amount computed on an undiscounted basis, whereby it would increase your estimated current liability.
Insurance	Certain Policy Acquisition Expenses		
		The bill would extend 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. Additionally, the bill would add a special transition rule for specified policy acquisition expenses first required to be capitalized in a tax year beginning before Jan. 1, 2018. The bill also modifies the deductible percentage of net premiums for certain types of contracts.	The proposed longer amortization period would result in a deferred tax asset that amortizes over a longer period. As the deductible percentages of net premiums were also modifed, there may be a significant change in the amount of the admitted deferred tax asset relating to DAC for statutory reporting purposes.
Insurance	Special Rule for Distributions to Shareholders from Pre-1984 Policyholders Surplus Account		
		The bill would repeal special rules imposing income tax on distributions to shareholders from the policyholders surplus account of a stock life insurance company. Effective for tax years beginning after Dec. 31, 2017. For any stock life insurance company with an existing policyholders surplus account, tax would be imposed on the balance of the account as of Dec. 31, 2017. A life insurance company would be required to pay tax on the balance of the account ratably over the first eight years beginning after Dec. 31, 2017.	The proposal would repeal the rules for policyholders' surplus accounts under Section 815, imposing a tax on the balance of the PSA as of December 31, 2017. Life insurance company losses would not be allowed to offset the amount of the PSA subject to tax. The proposal would be effective for tax years beginning after 2017. The balance of the PSA as of December 31, 2017, would be subject to tax, thereby increasing the current tax liability payable in eight annual installments.
Insurance	Tax Reporting for Life Settlement Transactions, Tax Basis of Life Insurance Contracts, and Exception to Transfer for Valuable Consideration Rules		
		The bill would impose reporting requirements on the purchase of an existing life insurance contract in a reportable policy sale. The bill would additionally impose reporting requirements on the payor in the case of the payment of reportable death benefits. Reporting requirements would be effective for reportable policy sales occurring after Dec. 31, 2017, and reportable death benefits paid after Dec. 31, 2017. Effective for transfers occurring after Dec. 31, 2017, the bill would modify the transfer for value rules in a transfer of an interest in a life insurance contract in a reportable policy sale. Effective for transactions entered into after Aug. 25, 2009, the bill would set forth rules for determining the basis of a life insurance or annuity contract.	This would result in additional reporting requirement, but no specific tax accounting implications.
Corporation	Denial of Deduction for Settlements Subject to a Nondisclosure Agreement Paid in Connection with Sexual Harassment or Sexual Abuse		
		The bill would disallow 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 the date of enactment.	Permanent addback for settlements meeting this description.
Corporation	Employer Credit for Paid Family and Medical Leave		
		The bill would permit eligible employers (employers that allow all qualifying full-time employees at least two weeks annual paid family and medical leave and allow part-time employees a commensurate amount of leave on a pro rata basis) to claim a business credit for 12.5% of the wages paid to qualifying employees during any period in which such employees are on family and medical leave if the payment rate under the program is 50% of the wages normally paid to an employee. The credit would be increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%. Effective for wages paid in tax years beginning after Dec. 31, 2017. JCT Summary specifies that the credit would not apply to wages paid in tax years beginning after Dec. 31, 2019.	A business credit could be claimed by eligible employers for two tax years beginning after Dec. 31, 2017.
Corporation	Modification of Tax Treatment of Alaska Native Corporations and Alaska Native Settlement Trusts		
		The bill would allow 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 would be includible in the Settlement Trust's gross income when received. Would also allow a Native Corporation to elect to deduct contributions to a Settlement Trust, up to the amount of its taxable income. Any unused deduction could be carried forward 15 years. The Settlement trust would have to report income equal to the deduction taken by the Native Corporation. For noncash contributions, the Settlement Trust would take a carryover basis in the property and could elect to defer recognition of income until it disposes of the property. However, if the Settlement Trust were to dispose 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 would have to file an amended return for the year of contribution and pay any applicable tax on the disposition plus interest and a 10% penalty. Under a reporting requirement, a Native Corporation electing to deduct contributions to a Settlement Trust would be required to furnish an information statement to the Settlement Trust. The income exclusion would be effective for tax years beginning after Dec. 31, 2016. The deductibility of contributions would be effective for tax years for which the Native Corporation's refund statute of limitations period has not expired, and there would be 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 the date of enactment. The reporting requirement would apply to tax years beginning after Dec. 31, 2016.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Deductibility of Fines and Penalties for Federal Income Tax Purposes		
		The bill would deny 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. An exception would apply 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, would be deductible only to the extent it would have been allowable if it had been timely paid. Another exception would apply to any amount paid or incurred as taxes due. Effective for amounts paid or incurred on or after the date of enactment, except that the amendments would not apply to amounts paid or incurred under any binding order or agreement entered into before such date. This exception would not apply to an order or agreement requiring court approval unless the approval was obtained before such date.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.
Corporation	Aircraft Management Services		
		The bill would exempt certain payments related to the management of private aircraft from the excise taxes imposed on taxable air transportation. Exempt payments would 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. Effective for amounts paid after the date of enactment.	No specific tax accounting implications.

International	100% Deduction for Foreign-Source Portion of Dividends		
		The bill replaces the current system of taxing U.S. corporations on foreign earnings of their foreign subsidiaries when the earnings are repatriated with a partial territorial system. A 100% dividends-received deduction (DRD) is provided to domestic corporations for foreign-source dividends received from 10%-or-more owned foreign corporations. Domestic corporations must hold the foreign stock for 365 days to be eligible for the DRD. A DRD is allowed on certain deemed income inclusions resulting from the disposition of lower-tier controlled foreign corporations (CFCs). The DRD is not allowed for "hybrid dividends." A hybrid dividend is an amount received from a CFC if the dividend gives rise to a local country deduction or other tax benefit. The provision also subjects hybrid dividends received by a CFC from another CFC to Subpart F resulting in income inclusion for U.S. shareholders of that CFC. No foreign tax credit or deduction is allowed for foreign taxes on any portion of the dividend for which the DRD is allowed. However, "deemed-paid" foreign tax credits under Sections 902 and 960 would continue to be allowed for Subpart F income inclusions. These provisions would be effective for distributions made after 2017.	• Carefully analyze the 10% ownership and holding period requirements to understand how these new rules will impact dividends received, and continue to analyze ability and intent to repatriate earnings in foreign subsidiaries. • The impact to the territorial system may be complex, and the actual benefits may be limited by its narrow application and the minimum tax base erosion provisions discussed below. These provisions must be considered together when evaluating the impact of the partial territorial system for financial statement purposes. • To the extent that companies do change their permanent reinvestment assertion, they will need to consider the accrual of foreign withholding taxes on previously unremitted earnings.
	One-Time Tax		
		The bill subjects unrepatriated foreign earnings to a one-time transition tax. The one-time tax is applicable to U.S. shareholders in "specified foreign corporations," which are defined to include all CFCs and all other foreign corporations (which are not passive foreign investment corporations) with at least one U.S. corporation as a U.S. shareholder. The one-time tax is imposed by using the Subpart F rules to require applicable U.S. shareholders to include their pro rata share of post-1986 earnings and profits (E&P) in income to the extent such E&P has not been previously subject to U.S. tax. E&P includes only earnings that accrued while the foreign corporation was a specified foreign corporation. The E&P measurement-date balance is on either Nov. 2, 2017, or Dec. 31, 2017, whenever the amount is greater. The inclusion in income would be for the foreign subsidiary's last taxable year beginning before 2018, and is determined without regard to any dividends paid during the taxable year. Rates for the one-time tax are 15.5% for cash and cash equivalents and 8% for other assets. Foreign tax credits can offset the one-time tax, but would be subject to a "haircut" based on the difference between the 8% and 15.5% rates and the normal 35% rate (or other applicable statutory rate). Existing foreign tax credit carryforwards would also be available to offset the one-time tax. An election is available to allow U.S. shareholders to spread the payment of the one-time transition tax liability over eight years. An election is also available to forgo the use of NOLs to offset the one-time tax inclusion.	• In the period of enactment, Companies will need to record the transition tax on previously unrepatriated earnings. This will require Companies to validate all relevant US tax attributes such as accumulated E&P, previously taxed income, overall foreign losses, cash and cash equivalents and foreign tax credit pools (which may be available to offset the one-time tax). • If electing to pay the transition tax over the eight year period, consider the balance sheet classification between current and non-current taxes payable. • Evaluate the impact of the transition tax and overall change to a territorial system on APB 23 positions and deferred tax liabilities previously recorded for unrepatriated earnings. To the extent that companies do change their permanent reinvestment assertion, they will need to consider the accrual of foreign withholding taxes on previously unremitted earnings.
International	Foreign Tax Credit		
		The bill would repeal the indirect foreign tax credit under §902, with modifications to the gross-up rules under §78, the dividend reference in §907(c)(3)(A), the qualifying electing fund (QEF) rules under §1295 and conforming amendments. Would add a separate foreign tax credit limitation basket for foreign branch income. Income from sale of inventory would be sourced based solely on basis of production activities.	Companies will need to evaluate the realizability of unused foreign tax credit carryforwards and whether to record a valuation allowance in the period of enactment. Companies should consider that some previously unused foreign tax credit carryforwards may be able to be used to reduce the one-time transition tax discussed above.
International	Subpart F/Section 956		
		The bill would expand the definition of U.S. shareholder. The bill would repeal current taxation of previously excluded qualified investments under §955. The bill would repeal foreign base company oil related income as subpart F income under §954. Stock attribution rules for determining CFC status would be modified to treat a U.S. corporation as constructively owning stock held by its foreign shareholder. The bill would eliminate the 30-day rule in §951(a)(1). Notably, the bill does not repeal Section 956. So investments in U.S. property would continue to be subject to tax as they are under current law.	Companies should evaluate the changes in determination of Subpart F income, resulting deemed dividends and the impact on effective tax rates in the period in which the tax law becomes effective. Additionally, companies should consider the ability to use foreign tax credits to reduce the tax resulting from these changes to the Subpart F regime. Companies should revaluate whether certain foreign entities will be treated as CFCs under the new rules, which may not have been under existing law.
International	Minimum Tax and Incentives for Intangible Income		
		The bill imposes a minimum tax on certain foreign income deemed to be in excess of a routine return. It provides that, effective for tax years beginning after 2017, U.S. shareholders of CFCs are subject to current U.S. tax on its "global intangible low-taxed income" (GILTI). In general, GILTI is defined as the excess of a U.S. shareholder's aggregated net "tested income" from CFCs over a routine return of 10% on certain qualified tangible assets. This aggregated approach allows loss entities to offset other entities with tested income within the group, but not below zero. Tested income is broadly defined and includes most income that has not already been subject to U.S. tax. The GILTI amount would be includable in a U.S. shareholder's income in a similar fashion to Subpart F income. Foreign taxes would be available as a credit but would be subject to limitations. The report also creates a separate foreign tax credit basket for GILTI, with no carry-forward or carry-back available for excess credits. Domestic corporations are provided a 50% deduction of its GILTI amount (37.5% for tax years beginning after 2025). Incentives to domestic corporations are also included to offset a portion of certain foreign-derived intangible income earned by the domestic corporation. Providing an incentive to hold intangibles in the United States, the report allows for a deduction equal to 37.5% (21.875% for tax years beginning after 2025) of a domestic corporate taxpayer's foreign-derived intangible income. Both deductions are subject to a taxable income limitation.	• Companies should carefully analyze the impact that all of these provisions may have on their effective tax rates beginning in the period in which the law becomes effective. As noted above, companies should consider the GILTI provision together with the DRD provision when evaluating the impact of the partial territorial system for financial statement purposes. • As there is no carry-forward or carry-back of foreign tax credits, timing differences between U.S. and foreign law must be carefully considered when evaluating the impact of the GILTI inclusion for financial statement purposes.
International	PFICs		
		PFIC insurance exception would be 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 reserves exceed 25% (or 10% in certain circumstances) of the foreign corporation's total assets.	Analyze changes in the determination of whether income is passive income under the PFIC rules.
International	Hybrid Transactions		
		The bill creates new Section 267A to deny a deduction for interest and royalties paid to related parties in connection with a hybrid transaction, including amounts paid by, or to, a hybrid entity. Interest or royalties could not be deducted under the provision to the extent there is no corresponding income inclusion to the related party under the tax law of the country of which the related party is resident or otherwise subject to tax, or to the extent such related party is provided a deduction in the local country. For purposes of these provisions, the term "related party" is defined by reference to Section 954(d)(3) modified to apply to a payer in this case. The provisions would be effective for tax years beginning on or after Dec. 31, 2017.	• Once a bill is enacted, companies will need to assess the impact on their estimated annual effective tax rate in the period the change is effective. • Companies will need to consider the impact of this provision on forecasted taxable income when assessing realizability of existing deferred tax assets.

International	Base Erosion Anti-Abuse Tax	The bill includes a measure targeting base erosion concerns by effectively imposing a tax based on deductible payments to related foreign parties. Referred to as the "Base Erosion Anti-Abuse Tax" (BEAT), the measure imposes a minimum tax on certain domestic corporations' "modified taxable income." The BEAT applies to domestic corporations other than S Corporations, REITs and RICs that have $500 million or more in annual gross receipts over a three-year period and have a ratio of base erosion deductions compared to total deductions of 3% or higher (2% or higher for certain banks and securities dealers) for the taxable year. The tax is phased in at a rate of 5% for tax years beginning in 2018, 10% for tax years beginning from 2018 through 2025, and 12.5% for tax years beginning after Dec. 31, 2025. These rates are increased by 1% for certain banks and securities dealers.	• Companies making base erosion payments that will be subject to the BEAT tax should consider the impact of this provision on their effective tax rate beginning in the period in which the law becomes effective.
Compensation and Benefits	Deduction for Excessive Employee Remuneration	The $1 million yearly limit on the deduction for compensation with respect to a covered employee of a publicly traded corporation would be modified. The bill also expands the definition of a public corporation to include foreign corporations publicly traded htrough American depositary receipts (ADRs) and certain large private corporations and S corporations. The exceptions for commissions and performance-based compensation would be repealed. Once an employee qualifies as a covered employee, the deduction limitation would apply to that person so long as the corporation pays remuneration to that person (or to any beneficiaries). Applicable to tax years beginning after Dec. 31, 2017, except that a transition rule would apply so that no proposed changes would take effect with respect to a written binding contract in effect on Nov. 2, 2017, that is not modified in any material respect. Definition of "covered employee" would include the three most highly compensated officers for the tax year (other than the principal executive officer or principal financial officer) who are required to be reported on the company's proxy statement for the tax year (or who would be required to be reported on such a statement for a company not required to report), as well as the principal executive officer and the principal financial officer. A covered employee for a tax year beginning after Dec. 31, 2016, would remain a covered employee for all future years.	• The new expanded limitations on deductions for certain executive compensation would impact a company's estimated annual effective tax rate in the period in which tax law becomes effective. • The limitation will also have an immediate impact in the period of enactment on deferred tax assets for executive compensation accrued for financial reporting and not yet deducted for income tax purposes. Companies may need to write-off deferred tax assets for compensation to be paid in excess of $1 million annually for certain top executives.
Compensation and Benefits	Qualified Equity Grants	Creates a new election to defer recognition of gain for up to five years for employees of nonpublic companies who are granted stock options or restricted stock units (RSUs). Elections would apply only to stock of the employee's employer and the options or RSUs would have to be granted in connection with the performance of services by the employee. A written plan would have to provide that at least 80% of the employees of the company would be granted stock options or RSUs with the same rights and privileges. RSUs would not be eligible for a §83(b) election and receipt of qualified stock would not be treated as a nonqualified deferred compensation plan for purposes of §409A. Subject to a transition rule, these provisions would apply to stock attributable to options exercised, or RSUs settled, after Dec. 31, 2017. The bill would also allow a qualified employee to make an inclusion deferral election with respect to qualified stock attributable to a statutory option. Generally would 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% and employer notice requirements under the provision, a corporation will be treated as complying with those requirements if it complies with a reasonable good faith interpretation. The penalty for a failure to provide the required notice would apply to failures after Dec. 31, 2017. Additional items of note: • 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 an election include individuals who first become a 1% owner or one of the 4 highest compensated officers in a taxable year, or who fell into such a classification in any of the 10 preceding taxable years. • The 80% eligibility requirement is met only if affected employees (new hires or existing employees) are either granted stock options or restricted stock units for that year, and not a combination of both. The exception from treatment as a nonqualified deferred compensation plan for purposes of §409A applies solely with respect to an employee who may receive qualified stock.	Generally, an employer recognizes a deduction for tax purposes equal to the ordinary income the employee recognizes in the same period that the employee recognizes that income. Companies will need to consider the impact that inclusion deferral elections will have on current taxes payable and deferred tax assets / liabilities (i) in the period that elections are made and (ii) over the deferral period.