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Electronic Alert

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Tax Cuts and Jobs Act: What Your Business Needs to Know

By Chris Morgan

With the Tax Cuts and Jobs Act now officially signed into law, it is important for employers to be diligent in evaluating how these changes affect the structure of their business and employee benefit programs. While many factors will determine the impact on a particular business, this Alert focuses on a few key issues for employers.

1) **Prohibition on Business Deductions for Payments Related to Sexual Harassment**
Effective immediately, companies may no longer deduct as a business expense any settlement or payment amount (including attorneys' fees) related to sexual harassment or sexual abuse if such settlement or payment is subject to a non-disclosure agreement.

2) **Paid Family Leave Credit**
The Bill provides a federal tax credit for employers that provide at least two weeks of paid family and medical leave for employees.

3) **Qualified Non-Profits Will Pay an Excise Tax on High Income Employees**
Qualified non-profit entities, including many universities, will pay a 21% excise tax on employees who earn more than $1,000,000 per year. This may include hospitals, Credit Unions, charitable organizations, and quasi-governmental entities (including large deferred compensation payments in lieu of stock options, or pensions in the private realm).

4) **Rates Drop for Corporations and Other Business Entities**
Corporate tax rates drop from 35% to 21%, and the Act contains a pass-through ownership deduction of 20%. These lower rates should be considered with your CPA on tax planning of distributions and compensation as well as contributions to deferred compensation or retirement.

5) **Employee Fringe Benefits**
The Bill either reduces or eliminates some of the fringe benefits that many employers provide for employees including mass transit, parking, and employer provided food and beverage.

6) **Elimination of Individual Mandate for Health Insurance**
The Bill eliminates the individual mandate, which previously required individuals to carry a minimum level of health insurance or owe a penalty. While the Affordable Care Act remains in place, fewer employees not offered sufficient health insurance under the ACA definition may seek insurance, thus lowering potential shared responsibility penalties for employers.

For assistance or specific questions about the impacts to your business, contact Chris Morgan at cmorgan@barran.com or (503) 276-2144.