ANALYSIS OF FEDERAL TAX LAW REVISIONS ON THE STATE OF ALABAMA

EXECUTIVE SUMMARY

PENDING ANY STATE LAW CHANGES

Alabama Department of Revenue

July 30, 2018

The TAX CUTS & JOBS ACT

Analysis of Federal Tax Law Revisions on Alabama Tax Law
Executive Summary

On December 22, 2017, President Donald J. Trump signed into law the Tax Cuts and Jobs Act (TCJA), enacting changes across-the-board to the federal tax system for both businesses and individuals. The overall impact of the federal changes as it relates to Alabama income taxes is unknown until all provisions are in effect.

This Executive Summary features key provisions of the TCJA and an assessment of whether and how these provisions are tied to Alabama's taxing regime. Alabama's ties to additional TCJA provisions affecting individual and corporate income taxes are addressed in Exhibits A and B. This document addresses these ties only as they relate to individual taxpayers (including those operating as sole proprietors), C-corporations, and financial institutions. This document does not address analysis of the TCJA provisions on pass through entities or trusts. The effects of the TCJA provisions on pass-through entities depend on many factors such as the structure of the pass-through entity and the nature of its members. In general, the taxable income of an Alabama S corporation is determined in the same manner as in the case of an individual (§40-18-161). The taxable income of an Alabama subchapter K entity is determined in accordance with subchapter K of the Internal Revenue Code (§40-18-24). The effects of the TCJA on trusts may vary depending on the tax status of its beneficiaries, as well as the structure of the trust itself, e.g., simple versus complex. Due to the hybrid nature of trusts, some of the income is taxed at the trust level, while some income is distributed to its beneficiaries. The income and deductions for trusts are determined in accordance with subchapter J of the Internal Revenue Code (§40-18-25). Trusts are generally taxed in the same manner as individuals, with some modifications.

In preparing this analysis, the Department sought and received input from various stakeholders including an advisory group consisting of members from the Alabama Society of CPAs and the Tax Section of the Alabama Bar Association, as well as the Council on State Taxation (COST). In addition, the Department received input from a working group organized in conjunction with the Alabama Bankers Association. Members of the working group included tax and accounting professionals who serve Alabama's financial institution community. We appreciate the assistance and collaboration provided by each of these groups.

For additional information please contact the Department's Tax Policy and Governmental Affairs division at taxpolicy@revenue.alabama.gov.

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<u>Limitations of the Analysis</u>

- This is not a comprehensive analysis of all the TCJA provisions or their potential impact on Alabama taxpayers.
- This analysis is not meant to provide tax guidance for individual taxpayer circumstances, but rather is meant to provide general guidance on the TCJA provisions in relation to Alabama income and financial institution tax laws.
- Regulations and forms relating to the TCJA changes have not been released by the Internal Revenue Service to provide guidance on how each provision under the TCJA will be implemented and those regulations may be contrary to our understanding of certain provisions presented herein.
- The conclusions in this document are subject to revision as additional information becomes available, including additional federal guidance and input from other tax administrative agencies and/or the private sector.

For the most updated version of this document, please visit https://revenue.alabama.gov/audience/professionals.

Individual Income Tax Reform

The computation of Alabama individual income tax begins with state adjusted gross income. Unlike most state individual income taxes, the Alabama individual income tax is not directly tied to the calculation of federal taxable income. For administrative simplicity, Alabama conforms to certain federal provisions on a rolling basis, which means Alabama will conform to relevant provisions of the new federal law automatically. Alabama statutes are reliant on the structure of the federal income tax and conform to various features of the federal tax base, such as definitions of items of income, deductions, and exclusions, as well as the treatment of various types of transactions. This analysis addresses the existing ties between the federal tax code and the Alabama tax code for relevant TCJA provisions.

Updates the standard deduction amounts (IRC 63)

- Increases the amount of the standard deduction for each filing status, nearly doubling the 2017 amount. In addition, the new deduction amounts will be annually indexed using chained CPI-U, which is generally considered a less generous measure of inflation. The updates to the standard deduction amounts, by filing status, are shown below:

Tax Cut and Jobs Act		
Filing Status	**Old Law**	**New Law**
Single	$6,350	$12,000
Married Filing Joint	$12,700	$24,000
Head of Household	$9,350	$18,000

Effective date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Eliminates personal exemptions (IRC 151)

- Eliminates the deduction for personal exemptions.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Suspends overall limitation on itemized deductions (IRC 68)

- Suspends the limitation on overall itemized deductions for high income taxpayers. This is commonly referred to as the "Pease" limitation or 3%/80% rule.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Modifies individual income tax rate structure and tax brackets (IRC 1)

- Retains seven tax brackets, but modifies the "breakpoints" for the brackets and reduces the rate for the top bracket to 37%.
- The new brackets are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Limits the deduction for state and local taxes (SALT) (IRC 164)

- Itemized deduction for combined state, local, and foreign income taxes; state and local property taxes; and general sales taxes is limited to $10,000.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Limits the deduction for qualified mortgage interest (IRC 163)

- The maximum mortgage interest deduction on the taxpayer's loan balance of home acquisition debt is reduced from $1,000,000 to $750,000.
- Deduction for home equity interest is suspended.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(2)*

Suspends miscellaneous itemized deduction (IRC 67)

- Miscellaneous itemized deductions that are subject to the 2% adjusted gross income limitation are suspended.

Effective Date*: Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Eliminates deduction for personal casualty and theft losses (IRC 165)

- Personal casualty losses are nondeductible unless attributable to a federally declared disaster area.
- Special rules apply where a taxpayer has personal casualty gains.

Effective Date: *Losses incurred in tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(6)*

Modifies the gambling loss limitation (IRC 165)

- Provides that all deductions for expenses incurred in carrying out wagering transactions, and not just gambling losses, are limited to the extent of gambling winnings.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Reduces the medical expense threshold (IRC 56 and 213)

- The 7.5% adjusted gross income (AGI) threshold for medical expenses is retroactively extended through the 2018 tax year.

Effective Date: *Tax years beginning after 12/31/2016 and ending before 1/1/2019*
Tied to Federal: *No*

Increases the charitable contribution deduction limitation (IRC 170)

- Increases the limitation for an individual's cash contributions to public charities and certain private foundations from 50% to 60% of his or her charitable base.
- Contributions exceeding the 60% limitation are generally allowed to be carried forward and deducted for up to five years.

Effective Date: *Contributions made in tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(10)*

Disallows charitable deduction for amounts paid for college athletic seating rights (IRC 170)

- Disallows charitable deduction for any payment made to colleges and universities in exchange for right to purchase tickets or seating rights at an athletic event.

Effective Date: *Contributions made in tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(10)*

Amends tax treatment of alimony (IRC 61, 62, 71, 215, and 682)

- Alimony won't be deductible by the payor or includible by the recipient for post-2018 divorce or separation instruments.

Effective Date: *Divorce or separation instruments executed after 12/31/2018*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-14(1); §40-18-14.2(10); §40-18-15(a)(17)*

Qualified business income (QBI) (IRC 199A)

- Allows taxpayers other than corporations a deduction of 20% of QBI earned in a qualified trade or business, subject to certain limitations.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Expands benefits for 529 plan accounts (IRC 529)

- Provides that "qualified higher education expenses" include expenses for tuition in connection with enrollment or attendance at an elementary or secondary public or private school. 529 plan account funds may be used for elementary or secondary school tuition for up to $10,000 per year.
- Permits tax-free 60-day rollovers from 529 plan accounts to Achieving a Better Life Experience (ABLE) accounts.

Effective Date: *The expanded benefit definition is effective for distributions made after 12/31/2017. A distribution made after 12/22/2017 from a 529 account can qualify as a tax free rollover, if within 60 days of the distribution, it is transferred (before 1/1/2026) to a qualifying ABLE account.*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(28)*

Sole Proprietorships

Limits net interest deduction (IRC 163)

- Limits the business interest deduction for any taxable year to the sum of (1) business interest income; (2) 30% of the taxpayer's adjusted taxable income; and (3) floor plan financing interest. Disallowed interest expense may be carried forward indefinitely to succeeding taxable years.
- The business interest limitation does not apply to taxpayers with average annual gross receipts, over the prior three-year period, that are $25,000,000 or less.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(2)*

Extension, expansion, and phase-down of bonus depreciation (IRC 168)

- Eligibility of building improvements for a 15-year recovery period is expanded.
- Bonus depreciation is increased to 100% (full expensing) with phase down generally deferred from 2018 to 2023.
- Used property is allowed 100% bonus depreciation (full expensing).
- For passenger automobiles eligible for the additional first-year depreciation allowance in 2017, the first-year limitation is increased by an additional $8,000.
- Property used in certain businesses exempt from business interest limitations is excluded from 100% bonus depreciation (full expensing).

Effective Date: *Varies by provision*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(8)*

Limits deduction by employers of expenses for fringe benefits and entertainment expenses (IRC 274)

- Business deduction is denied for entertainment expenses, and deductions for employee transportation fringe benefits (e.g., parking and mass transit) are denied, but the exclusion from income for such benefits received by an employee is retained.

Effective Date: *Amounts incurred or paid after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(20)*

Adjusts section 179 expensing (IRC 179)

- Expands section 179 expensing cap from $500,000 to $1,000,000 and increases the phase out threshold to $2,500,000.
- $25,000 per-vehicle limit on section 179 expensing of SUVs is made adjustable for inflation.
- Otherwise-qualifying residential property is no longer excluded from section 179 property and more building improvements are made eligible.

Effective Date: *Property placed in service in tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(21)*

Raises caps on depreciation for passenger automobiles (IRC 280F)

- Annual caps on depreciation of passenger automobiles are raised.

Effective Date: *Property placed in service after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-15(a)(8)*

Limits like-kind exchange treatment (IRC 1031)

- Allows for like-kind exchanges only with respect to real property that is not held primarily for sale. Formerly, like-kind exchanges included a wide range of property from real estate to tangible personal property.

Effective Date: *Exchanges beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-8(c)*

Small business accounting method changes (263A, 447, 448, 460, and 471)

- The new law includes the following provisions to reform and simplify small business accounting methods:
  - Increases threshold for cash method of accounting – The three-year average annual gross receipts test is increased to $25,000,000 (IRC 447 and 448).
  - Modifies accounting for inventories - Alternatives to inventory accounting are made available to most small businesses meeting a $25,000,000 gross receipts test (IRC 471).
  - Modifies accounting method for qualifying small construction contracts - Gross receipts limit to qualify for small construction contract exception to percentage of completion method is raised to $25,000,000 (IRC 460).
  - Increases exemption for capitalization and inclusion of certain expenses in inventory costs - Expanded to apply to producers and resellers meeting the $25,000,000 gross receipts test (IRC 263A).

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-11 and §40-18-33*

Corporate Income Tax Reform

The computation of Alabama corporate income tax begins with federal taxable income. Alabama allows various adjustments to federal taxable income, one of which is a deduction for federal income taxes paid or accrued. This analysis addresses the existing ties between the federal tax code and the Alabama tax code for relevant TCJA provisions.

Reduces corporate income tax rate (IRC 11 and 1445)

- Reduces the corporate income tax rate from 35% to 21%.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*

Repeals alternative minimum tax (AMT) (IRC 55, 56, and 59)

- The corporate AMT is repealed.

Effective Date: *Tax years beginning after 2017*
Tied to Federal: *No*

Repeals domestic production activities income deduction (IRC 199)

- Repeals deduction for income attributable to domestic production activities. The current maximum deduction is 9% of the related income and is intended to provide tax relief for businesses that produce goods in the United States rather than producing it overseas.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Modifies net operating losses (NOL) (IRC 172)

- Repeals the carryback rule for NOLs and allows indefinite carryforward.
- NOL deduction is limited to 80% of the taxable income for any given year.

Effective Date: *Repeal of carryback: NOLs arising in tax years ending after 12/31/2017.*
NOL limited to 80%: Losses arising in tax years beginning after 12/31/2017.
Tied to Federal: *No*

Adjusts section 179 expensing (IRC 179)

- Expands section 179 expensing cap from $500,000 to $1,000,000 and increases the phase out threshold to $2,500,000.
- Otherwise-qualifying residential property is no longer excluded from section 179 property and more building improvements are made eligible.

Effective Date: *Property placed in service in tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Extension, expansion, and phase-down of bonus depreciation (IRC 168)

- Increases bonus depreciation for qualified property from the current rate of 50% to 100%.
- Beginning in 2023 (2024 for longer production assets), the bonus depreciation decreases by 20% each year.

Effective Date: *Property placed in service on or after 9/27/2017 and before 1/1/2023*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Limits like-kind exchange treatment (IRC 1031)

- Allows for like-kind exchanges only with respect to real property that is not held primarily for sale. Formerly, like-kind exchanges included a wide range of property from real estate to tangible personal property.

Effective Date: *Exchanges beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Limits net interest deduction (IRC 163, 381, and 382)

- Limits the business interest deduction for any taxable year to the sum of (1) business interest income; (2) 30% of the taxpayer's adjusted taxable income; and (3) floor plan financing interest. Disallowed interest expense may be carried forward indefinitely to succeeding taxable years.
- The business interest limitation does not apply to taxpayers with average annual gross receipts, over the prior three-year period, that are $25,000,000 or less.
- This limitation will apply before Alabama's "add-back statute" (§40-18-35) adjustment is applied. Alabama's add-back statute disallows a deduction for certain related party interest expenses.
    - For purposes of Alabama's add back statute, the net interest deduction limitation will be allocated on a pro-rata basis to the interest income recipients. *Example: Taxpayer pays interest expense of $10,000,000 including $5,000,000 to related party C. Taxpayer incurs a $2,000,000 "net interest limitation" (taxpayer was able to deduct $8,000,000 of interest expenses). For purposes of the add back statute, the taxpayer paid $4,000,000 to related party C.*

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*
Note: *Rule 810-3-35-.02 is being amended to address this issue.*

Limits deduction by employers of expenses for fringe benefits and entertainment expenses (IRC 274)

- Repeals the exclusion and deduction for qualified moving expense reimbursements and qualified transportation fringes, including reimbursement of employee commuting expenses.
- Limits employer deduction for employee achievement awards such as cash, gift cards, and certain other property.
- Eliminates the employer's tax deduction for most entertainment, amusement, and recreation expenses—even if those expenses are related to the employer's business (such as hosting a client at a sporting event), as well as on premise gyms or other amenities, and membership dues for employees that are primarily personal in nature.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Amortization of research and experimental (R&E) expenditures (IRC 41, 174, and 280C)

- Requires taxpayers to capitalize and amortize section 174 R&E expenditures over a five-year period (fifteen years for businesses conducted outside of the U.S).
- Specified R&E expenditures subject to capitalization include expenses for software development, but not expenses for land or for depreciable or depletable property used in connection with the research or experimentation. Exploration expenses incurred for ore or other minerals (including oil and gas) are also excluded.

Effective Date: *Tax years beginning after 12/31/2021*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Modifies contributions to the capital of a corporation (IRC 118)

- Excludes from the term "contributions to capital":
  (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).
- The above rule does not apply to any contribution made by a governmental entity pursuant to a master development plan that had been approved prior to such date by a governmental entity.

Effective Date: *Contributions made after 12/22/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Global intangible low-taxed income (GILTI) and deduction (IRC 951A and 250)

- Provides that a U.S. shareholder of any controlled foreign corporation (CFC) must include in taxable income its pro-rata share of GILTI.
- GILTI is considered the excess of the shareholder's net CFC income over the shareholder's net deemed tangible income.
- Section 250 deduction is only available to U.S. C-corporations that are shareholders of CFCs. Eligible taxpayers are allowed to deduct 50% of the GILTI amount calculated in section 951A (reduced to 37.5% beginning in 2026). In addition, section 250(a)(1) states that this deduction applies only "in the case of a domestic corporation" for any taxable year.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-33*

Creates base erosion and anti-abuse tax (BEAT) (IRC 59A)

- Establishes a base erosion minimum tax to prevent income shifting by imposing a tax on corporations that make substantial payments to foreign affiliates.
- The tax is structured as an alternative minimum tax that applies when a multinational company reduces its regular U.S. tax liability to less than a specified percentage of its taxable income, after adding back deductible base eroding payments and a percentage of tax losses claimed that were carried from another year.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*

Repatriation Income (IRC 965)

- Provides deduction for pre-2018 accumulated deferred foreign income; disallows foreign tax credit for deducted portion and recaptures expatriated entities.
- Pre-2018 accumulated deferred foreign income must be included in Subpart F income upon transition to a participation exemption system. Foreign earnings and profit deficits reduce the pre-2018 accumulated deferred foreign income included in Subpart F.

Effective Date: *Last tax year of a deferred income corporation beginning before 1/1/2018*
Tied to Federal: *Yes. The Department of Revenue published guidance regarding the reporting of section 965 income on Alabama corporate returns on April 27, 2018. A worksheet for the corresponding federal income tax deduction associated with section 965 income is available at https://revenue.alabama.gov/wp-content/uploads/2018/06/FITDWorksheet.pdf.*
Corresponding State Authority: *§40-18-33*

Tax Exempt Organizations

Excise tax on excess executive compensation (IRC 4960)

- Imposes an excise tax equal to the corporate tax rate (21%) on remuneration in excess of $1,000,000 and on excess "parachute payments" paid by certain organizations with excludable income to any of its current or prior (beginning after 12/31/2016) five highest-paid employees. Affected entities include the following:
  - organizations exempt from tax under section 501(a),
  - an exempt farmer's cooperative,
  - a political organization, or
  - a state or local governmental entity.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*

Excise tax on investment income of private colleges and universities (IRC 4968)

- Imposes an excise tax equal to 1.4% on the net investment income of certain private colleges and universities with:
  - at least 500 tuition-paying students, of which more than 50% of these students are located in the U.S., and
  - with assets *(other than those used directly in carrying out the institution's exempt purpose)* of at least $500,000 per student.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*

Unrelated business taxable income (UBTI) must be separately computed for each trade or business activity (IRC 512(a)(6))

- Disallows losses from one unrelated trade or business to offset income derived from another unrelated trade or business.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-25.1 and §40-18-32*

Unrelated business taxable income (UBTI) increased by the amount of certain fringe benefit expenses for which a deduction is not allowed under section 274 (IRC 512(a)(7))

- UBTI is increased by any amount for which a deduction is not allowable under section 274.
- The above rule does not apply to the extent the amount paid or incurred is directly connected with an unrelated trade or business which is regularly carried on by the organization.

Effective Date: *For amounts paid or incurred after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-25.1 and §40-18-32*

Limits deduction by employers of expenses for fringe benefits and entertainment expenses (IRC 274)

- Repeals the exclusion and deduction for qualified moving expense reimbursements and qualified transportation fringes, including reimbursement of employee commuting expenses. This includes any parking facility used in connection with qualified parking, or any on-premise athletic facility.
- Limits employer deduction for employee achievement awards such as cash, gift cards, and certain other property.
- Eliminates the employer's tax deduction for most entertainment, amusement, and recreation expenses - even if those expenses are related to the employer's business (such as hosting a client at a sporting event), as well as on premise gyms or other amenities, and membership dues for employees that are primarily personal in nature.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes*
Corresponding State Authority: *§40-18-25.1 and §40-18-32*

Financial Institution Excise Tax Reform

The computation of Alabama's financial institution excise tax (FIET) begins with net income of the financial institution. Net income as defined in the FIET statute (§40-16-1(2)) is a broad term encompassing all gross income of the financial institution, less certain deductions allowed by the FIET statute. Alabama has traditionally allowed the items of income reported by the financial institution to be computed similarly to those same items of income addressed in the federal statute, unless there are specific Alabama rules that provide direct guidance on these items. The FIET statute also provides for a deduction for federal income taxes paid (§40-16-1(2)c). This analysis addresses the existing ties between the federal tax code and the Alabama tax code for relevant TCJA provisions. Certain items referenced in this document have no direct ties to Alabama law, but for ease of administration Alabama follows the federal provisions.

Reduces corporate income tax rate (IRC 11 and 1445)

- Reduces the corporate income tax rate from 35% to 21%.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*

Repeals alternative minimum tax (AMT) (IRC 55, 56, and 59)

- The corporate AMT is repealed.

Effective Date: *Tax years beginning after 2017*
Tied to Federal: *No*

Modifies net operating losses (NOL) (IRC 172)

- Repeals the carryback rule for NOLs and allows for indefinite carryforward.
- NOL deduction is limited to 80% of the taxable income for any given year.

Effective Date: *Repeal of carryback: NOLs arising in tax years ending after 12/31/2017.*
NOL limited to 80%: Losses arising in tax years beginning after 12/31/2017.
Tied to Federal: *No*

Repeals domestic production activities income deduction (IRC 199)

- Repeals deduction for income attributable to domestic production activities. The current maximum deduction is 9% of the related income and is intended to provide tax relief for businesses that produce goods in the United States rather than producing it overseas.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*
Note: *Alabama's FIET statute specifically provides for certain deductions from gross income for those subject to Alabama's FIET. There is no provision under the FIET statute for a section 199 deduction.*

Qualified business income (QBI) (IRC 199A)

- Allows taxpayers other than corporations a deduction of 20% of QBI earned in a qualified trade or business, subject to certain limitations.

Effective Date: *Tax years beginning after 12/31/2017 and before 1/1/2026*
Tied to Federal: *No*

Adjusts section 179 expensing (IRC 179)

- Expands section 179 expensing cap from $500,000 to $1,000,000 and increases the phase out threshold to $2,500,000.
- Otherwise-qualifying residential property is no longer excluded from section 179 property and more building improvements are made eligible under section 179 property.

Effective Date: *Property placed in service in tax years beginning after 12/31/2017*
Tied to Federal: *Not specifically, but have historically tied in practice for ease of administration.*
Corresponding State Authority: *§40-16-1(2)f provides for a reasonable allowance for the exhaustion, wear, and tear of property used in the business.*

Extension, expansion, and phase-down of bonus depreciation (IRC 168)

- Increases bonus depreciation for qualified property placed in service on or after 9/27/2017 and before 1/1/2023 from the current rate of 50% to 100%.
- Beginning in 2023 (2024 for longer production assets), the bonus depreciation decreases by 20% each year.

Effective Date: *Property placed in service after 9/27/2017*
Tied to Federal: *Not specifically, but have historically tied in practice for ease of administration.*
Corresponding State Authority: *§40-16-1(2)f provides for a reasonable allowance for the exhaustion, wear, and tear of property used in the business.*

Limits like-kind exchange treatment (IRC 1031)

- Allows for like-kind exchanges only with respect to real property that is not held primarily for sale. Formerly, like-kind exchanges included a wide range of property from real estate to tangible personal property.

Effective Date: *Exchanges beginning after 12/31/2017*
Tied to Federal: *No, but have historically tied in practice for ease of administration.*
Note: *There are not any "non-recognition" rules found in the FIET statute. Rule 810-9-1-.01 (4)(e) provides that losses on the disposition of property are deductible for the taxable year in which the disposition occurs. The same rule defines "gross income" as all wealth flowing to the taxpayer other than return of its capital and includes all dividends and interest from whatever source.*

Limits net interest deduction (IRC 163, 381, and 382)

- Limits the business interest deduction for any taxable year to the sum of (1) business interest income; (2) 30% of the taxpayer's adjusted taxable income; and (3) floor plan financing interest. Disallowed interest expense may be carried forward indefinitely to succeeding taxable years.
- The business interest limitation does not apply to taxpayers with average annual gross receipts, over the prior three-year period, that are $25,000,000 or less.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*
Note: *§40-16-1(2)b provides for an interest expense deduction for all interest paid or accrued within the taxable year on the indebtedness of said business.*

Small business accounting method changes (263A, 447, 448, 460, and 471)

- The new law includes the following provisions to reform and simplify small business accounting methods:
  - Increases exemption for capitalization and inclusion of certain expenses in inventory costs - Expanded to apply to producers and resellers meeting the $25,000,000 gross receipts test (IRC 263A).
  - Increases threshold for cash method of accounting – The three-year average annual gross receipts test is increased to $25,000,000 (IRC 447 and 448).
  - Modifies accounting method for qualifying small construction contracts - Gross receipts limit to qualify for small construction contract exception to percentage of completion method is raised to $25,000,000 (IRC 460).
  - Modifies accounting for inventories - Alternatives to inventory accounting are made available to most small businesses meeting a $25,000,000 gross receipts test (IRC 471).

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Not specifically, but have historically tied in practice for ease of administration.*

Amortization of research and experimental (R&E) expenditures (IRC 41, 174, and 280C)

- Requires taxpayers to capitalize and amortize section 174 R&E expenditures over a five-year period (fifteen years for businesses conducted outside of the U.S).
- Specified R&E expenditures subject to capitalization include expenses for software development, but not expenses for land or for depreciable or depletable property used in connection with the research or experimentation. Exploration expenses incurred for ore or other minerals (including oil and gas) are also excluded.

Effective Date: *Tax years beginning after 12/31/2021*
Tied to Federal: *Not specifically, but have historically tied in practice for ease of administration.*
Corresponding State Authority: *§40-16-1(2)f provides for a reasonable allowance for the exhaustion, wear, and tear of property used in the business.*

Limits deduction by employers of expenses for fringe benefits and entertainment expenses (IRC 274)

- Repeals the exclusion and deduction for qualified moving expense reimbursements and qualified transportation fringes, including reimbursement of employee commuting expenses.
- Limits employer deduction for employee achievement awards such as cash, gift cards, and certain other property.
- Eliminates the employer's tax deduction for most entertainment, amusement, and recreation expenses - even if those expenses are related to the employer's business (such as hosting a client at a sporting event), as well as on premise gyms or other amenities, and membership dues for employees that are primarily personal in nature.
- Business deduction is denied for entertainment expenses.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes (indirectly)*
Corresponding State Authority: *§40-16-1(2)a provides for a deduction for "all the ordinary and necessary expenses paid or incurred during the year the income is received…including a reasonable allowance for salaries or other compensation for personal service actually rendered." Alabama looks to the federal statute to determine which expenses would be considered ordinary and necessary business expenses.*

Base erosion and anti-abuse tax (BEAT) (IRC 59A)

- Establishes a base erosion minimum tax to prevent income shifting by imposing a tax on corporations that make substantial payments to foreign affiliates.
- The tax is structured as an alternative minimum tax that applies when a multinational company reduces its regular U.S. tax liability to less than a specified percentage of its taxable income, after adding back deductible base eroding payments and a percentage of tax losses claimed that were carried from another year.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*
Note: *Any additional federal payments made as a result of tax due to section 59A should not be considered in computing the federal income tax deduction for taxpayers subject to FIET.*

Global intangible low-taxed income (GILTI) (IRC 951A)

- Provides that a U.S. shareholder of any controlled foreign corporation (CFC) must include in taxable income its pro-rata share of GILTI.
- GILTI is considered the excess of the shareholder's net CFC income over the shareholder's net deemed tangible income.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *No*
Note: *Any additional federal payments made as a result of tax due to section 951A should not be considered in computing the federal income tax deduction for taxpayers subject to FIET.*

Deduction limits for FDIC premiums (IRC 162)

- Limits the amount certain financial institutions may deduct for premiums paid pursuant to an assessment by the Federal Deposit Insurance Corporation to support the deposit insurance fund.

Effective Date: *Tax years beginning after 12/31/2017*
Tied to Federal: *Yes (indirectly)*
Corresponding State Authority: *§40-16-1(2)a provides for a deduction for "all the ordinary and necessary expenses paid or incurred during the year the income is received." Alabama looks to the federal statute to determine which expenses would be considered ordinary and necessary business expenses.*

Repatriation Income (IRC 965)

- Provides deduction for pre-2018 accumulated deferred foreign income; disallows foreign tax credit for deducted portion and recaptures expatriated entities.
- Pre-2018 accumulated deferred foreign income must be included in Subpart F income upon transition to a participation exemption system. Foreign earnings and profit deficits reduce the pre-2018 accumulated deferred foreign income included in Subpart F.

Effective Date: *Last tax year of a deferred income corporation beginning before 1/1/2018*
Tied to Federal: *No. But exceptions may apply in situations involving flow through entities.*
Corresponding State Authority: *§40-16-1(2) provides for certain deductions from the entity's gross income to arrive at net income. If the entity's gross income includes income from an underlying partnership and that partnership reports repatriation income, this amount would be a component of gross income under Chapter 16 and as such would be subject to tax under Alabama's FIET law.*
Note: *Any additional federal payments made as a result of tax due to section 965 should not be considered in computing the federal income tax deduction for taxpayer's subject to FIET, unless 965 income is reported and sourced to Alabama as a result of an underlying interest in a flow through entity.*

EXHIBIT A

INDIVIDUAL INCOME TAX

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
1(j)(2)(F), 1(j)(3) 1(j)(2)(A),1(j)(2)(B),1(j)(2)(C), 1(j)(2)(D)	Individual income tax rate structure replaced with 10%, 12%, 22%, 24%, 32%, 35%, and 37% tax brackets	Tax years beginning after 2017 and before 2026	N	-
2(a)(3), 2201,3401(a)(1), 4253 (d), 6013(f)(1), 7508, 112, 692	Sinai is retroactively made a qualified hazardous duty area treated like a combat zone for Armed Forces members' combat zone tax benefits	June 9, 2015, except for the rule related to Code Sec. 3401(a)(1) which applies to remuneration paid after Dec. 22, 2017	Y	40-18-3
41(D)(1)(A)	Code Sec. 174 research and experimental expenditures paid or incurred in tax years starting after 2021 are to be amortized over 5 years	Amounts paid or incurred in tax years beginning after Dec. 31, 2021	N	-
55(d)(4), 55(d)(4)(A)(ii)	Alternative minimum tax exemption amounts for individuals increased	Tax years beginning after 2017 and before 2026	N	-
56(b)(1)(B), 213(f)	7.5%-of-AGI floor for medical expense deduction is retroactively extended through 2018 and applied to all taxpayers	Tax years beginning after Dec. 31, 2016, and ending before Jan. 1, 2019	N	-
56(b)(1)(E)	AMT adjustment for standard deduction is made retroactively inapplicable to in 2016 and 2017 to net disaster losses from 2016 disaster areas	Tax years beginning after Dec. 31, 2015, and before Jan. 1, 2018	N	-
61(a)(8),62(a)(10), 71, 215, 682	Alimony won't be deductible by the payor or includible by the recipient for post-2018 divorce or separation instruments	Divorce or separation instruments executed after Dec. 31, 2018	Y	40-18-14(1); 40-18-14.2(10) ; 40-18-15(a)(17)
62(a), 3402(m)(1), & 6662(d)(1)(c)	20% deduction for qualified business income	Tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026	N	-
63(c)	Non-itemizers are retroactively allowed to deduct net disaster losses from 2016 disaster areas in 2016 and 2017, via enhanced standard deduction	Tax years beginning after Dec. 31, 2015, and before Jan. 1, 2018	N	-
63(c)(7)	Standard deduction is almost doubled, inflation adjustment is modified	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
67(g)	Miscellaneous itemized deductions are disallowed	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-
68(f)	Overall limitation on itemized deductions ("Pease limitation" or "3%/80% rule") is suspended	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-
72(t)	Penalty-free early retirement plan withdrawals may be made for 2016 disaster area victims	Dec. 22, 2017	N	-
83(i), 409A(d)(7), 422(b),423(b)(5),423(d)	Employees can elect to defer income from option or RSU stock for up to five years after vesting	Stock attributable to options exercised, or restricted stock units settled, after Dec. 31, 2017	Y	40-18-1.1(a); 40-18-14(1)
101(a), 101(a)(1)	Exceptions to life insurance transfer-for-value rule don't apply to life settlement transactions	Transfers after Dec. 31, 2017	Y	40-18-14(3)(a)
108(f)(5)	Exclusion for discharge of certain student loans is broadened to include discharges on account of death or disability	Discharges of indebtedness after Dec. 31, 2017 and before Jan. 1, 2026	Y	40-18-14(3)(h)
125(i)(2)(B)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-14(3)(k)
179(b)(6)(A)(ii)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(21)
213(d)(10)(B)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(13)
219(b)(5)(C)(i)(II), 219(g)(8)(B)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(11)
223(g)(1)(B)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-15.6

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
6695(h)(1)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-2A-11.1(a)
162(o)(3)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(1)
151(d)(4)	Deduction for personal exemptions for taxpayer, spouse, and dependents is suspended; return-filing and withholding requirements are modified	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-
162(f)	Denial of deduction for fines, penalties, etc., is broadened	Amounts paid or incurred on or after Dec. 22, 2017	Y	40-18-15(a)(1)
162(q)	Business expense deduction is barred for settlement of sexual abuse or harassment suit that's subject to nondisclosure agreement	Amounts paid or incurred after Dec. 22, 2017	Y	40-18-15(a)(1)
163(h)(3)(F)	Mortgage interest deduction acquisition debt maximum is lowered to $750,000, deduction for home equity interest is suspended	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	Y	40-18-15(a)(2)
163(j)	Deduction for net business interest is limited to 30% of adjusted taxable income, with indefinite carryover	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(2)
164(b)(6)	Itemized deduction is limited to $10,000 for combined state/local property, state/local/foreign income, and (if elected) general sales taxes	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-
165(d)	Gambling loss limitation is broadened: deduction for *any* expense incurred in gambling-not just gambling losses-is limited to gambling winnings	Tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	N	-
165(h)(1)	$100 per-casualty floor on deduction is retroactively raised to $500 in 2016 and 2017 for net disaster losses from 2016 disaster areas	Tax years beginning after Dec. 31, 2015, and before Jan. 1, 2018	Y	40-18-15(a)(6)
165(h)(2)(A)(ii)	10%-of-AGI casualty loss threshold is retroactively made inapplicable in 2016 and 2017 to net disaster losses from 2016 disaster areas	Tax years beginning after Dec. 31, 2015, and before Jan. 1, 2018	Y	40-18-15(a)(6)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
165(h)(5)	Personal casualty losses are nondeductible unless attributable to a federally declared disaster	Losses incurred in tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	Y	40-18-15(a)(6)
168(b)(2)	200% declining balance method of MACRS depreciation is made available for many types of MACRS farming property	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
168(b)(3), 168(b)(3)(G), 168(e), 168(e)(6), 168(g)(3)(B), 168(g)(3)(B), 168(e)(3)(E)	Eligibility of building improvements for a 15-year recovery period is expanded	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
168(e)(3)(B)(vii)	Most new farming equipment and machinery is made 5-year MACRS property	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
168(g)(1)(F), 168(g)(8)	ADS depreciation for buildings (and improvements) if election is made to exempt a real property business from the business interest deduction limit	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(8)
168(g)(1)(G)	ADS depreciation required for 10-year-or-more MACRS property if election made to exempt farming from the business interest deduction limitation	Tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(8)
168(g)(2)(C)	ADS recovery period for residential rental property is shortened to 30 years	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
168(k), 168(k)(1)(A), 168(k)(6), 168(k)(8), 168(k)(10)	Bonus depreciation increased to 100% (full expensing) with phase down generally deferred from 2018 to 2023	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)
168(k)(2)(A)(iii), 168(k)(2)(B)(i)(II), 168(k)(2)(B)(i)(III), 168(k)(2)(B)(ii), 168(k)(2)(E)(i)	Bonus depreciation and other benefits for qualified property are extended	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
168(k)(2)(A)(ii), 168(k)(2)(E)(ii), 168(k)(2)(E)(iii)(I)	Used property is allowed 100% bonus depreciation (full expensing)	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)
168(k)(2)(A)(i), 168(k)(2)(H)	Qualified film, television and live theatrical productions added to "qualified property" eligible for 100% bonus depreciation (full expensing)	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)
168(k)(2)(A)(i)	Qualified improvement property made no longer eligible for bonus depreciation	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
168(k)(2)(A)(iii), 168(k)(2)(F)(iii), 168(k)(2)(A)(iii), 168(k)(2)(B)(i)(II), 168(k)(2)(B)(i)(III), 168(k)(2)(B)(ii),168(k)(2)(E)(i)	$8,000 increase for "qualified property" in the first-year depreciation cap for passenger autos is extended	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)
168(k)(5),168(k)(5)(A),168(k)(5)(A)(i),168(k)(6)(c), 168(k)(10)	Elective form of bonus depreciation for specified plants is extended and increased to 100% (full expensing) with phase down deferred from 2018 to 2023	Plants planted or grafted after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)
168(k)(9)	Property used in certain businesses exempt from business interest limitations is excluded from 100% bonus depreciation (full expensing)	Property placed and acquired in service after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-15(a)(8)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
170(b)(1)(G)	Limit on an individual's contributions of cash to charitable organizations is increased from 50% to 60% of donor's contribution base	Contributions made in tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026	Y	40-18-15(a)(10)
170(f)(8)	Donee-reporting exception to substantiation requirement for charitable contributions is retroactively repealed	Contributions made in tax years beginning after Dec. 31, 2016	Y	40-18-15(a)(10)
170(l)(1)	Charitable deduction is denied for contributions to a college or university in exchange for athletic event seating rights	Contributions in tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(10)
172, 172(b)(1), 172(b)(1)(A), 172(b)(1)(B), 172(b)(1)(C)	NOLs can't be carried back, but can be carried forward indefinitely	NOLs arising in tax years ending after Dec. 31, 2017	N	-
172(a), 172(b)(2), 172(d)(6)(C), 172(f)	NOL deduction is limited to 80% of taxable income	Losses arising in tax years beginning after Dec. 31, 2017	N	-
174, 280C(c)(1),280C(c)(2)	Code Sec. 174 research and experimental expenditures paid or incurred in tax years starting after 2021 are to be amortized over 5 years	Amounts paid or incurred in tax years beginning after Dec. 31, 2021	N	-
179(b)(1),179(b)(2), 179(b)(6)(A),179(b)(6)(A)(ii)	Pre-adjustment Code Sec. 179 limits raised to $1 million (annual limit on expensing) and $2.5 million (annual phase-down threshold based on investment)	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(21)
179(b)(6)(B)	$25,000 per-vehicle limit on Code Sec. 179 expensing of SUVs is made adjustable for inflation	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(21)
179(d)(1), 179(d)(1)(B)(ii), 179(f)	Otherwise-qualifying residential property no longer excluded from section 179 property. More building improvements are made eligible to be section 179 property	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-15(a)(21)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
199	Domestic production activity deduction (DPAD) is repealed	Tax years beginning after Dec. 31, 2017	Y	40-18-33
199A, 63	20% deduction for qualified business income	Tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026	N	-
217	Moving expense deduction eliminated, except for certain armed forces members	Tax year beginning after Dec. 31, 2017, and before Jan. 1, 2026	Y	§40-18-15(a)(18)
263A(d)(2)(C)	Minority and subsequent owners can expense certain costs of replanting citrus plants lost by reason of casualty	Amounts paid or incurred after Dec. 22, 2017 and before Dec. 22, 2018	Y	40-18-11
263A(f)	Production period for beer, wine, distilled spirits won't include their aging period for UNICAP interest capitalization rule purposes for the next 2 years	For interest costs paid or accrued in calendar years beginning after Dec. 31, 2017 and before Jan. 1, 2020	Y	40-18-11
263A(i)	Small business exception to UNICAP rules is expanded to apply to producers and resellers meeting the $25 million gross receipts test	Tax years beginning after Dec. 31, 2017	Y	40-18-11
274(a)(1),274(a)(1)(A),274(a)(2)(C),274(d),274(d),274(l),274(n),274(n)(1),274(n)(2), 7701(b)(5)(A)(iv)	Business deduction is denied for entertainment expenses	Amounts incurred or paid after Dec. 31, 2017	Y	40-18-15(a)(20)
274(a)(4), 274(l)	Employers can't deduct cost of providing qualified transportation fringes and other transportation benefits	Amounts incurred or paid after Dec. 31, 2017	Y	40-18-15(a)(1); 40-18-15(a)(23)
274(j)(3)(A)	Cash, gift cards, and certain other property don't qualify as employee achievement awards	Amounts paid or incurred after Dec. 31, 2017	Y	40-18-15(a)(20); 40-18-15(a)(23)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
274(n)(2), 274(o)	Expenses for employer-operated eating facilities are only 50% deductible through 2025, then become nondeductible	Amounts incurred or paid after Dec. 31, 2017, and before Jan. 1, 2026	Y	40-18-15(a)(1); 40-18-15(a)(23)
280C(a), 6501(m)	Employers are allowed a credit for paid family and medical leave	Wages paid in tax years beginning after Dec. 31, 2017 and before Jan. 1, 2020	N	-
280F(a)(1)(A), 280F(a)(1)(B), 280F(d)(7)(B)(i), 280F(d)(7)(B)(i), 280F(d)(7)(B)(i)(II), 280F (d)(7)(B)(ii)	Annual caps on depreciation of passenger automobiles are raised	Property placed in service after Dec. 31, 2017	Y	40-18-15(a)(8)
280F(d)(4), 280F(d)(4)(A)	Treatment of computer equipment as listed property is ended	Property placed in service after Dec. 31, 2017	Y	-
367(a)(3)	Repeal of active trade or business exception under Code Sec. 367	Transfers after Dec. 31, 2017	Y	40-18-8 (applies to transfers under 332,351,354,356,361)
367(d)(2)	Limitations imposed on income shifting through intangible property transfers	Transfers in tax years beginning after Dec. 31, 2017	Y	40-18-8 (applies to transfers under 351 or 361)
401(a)(31), 402(f)	Favorable tax treatment provided for qualified 2016 disaster area plan distributions	Dec. 22, 2017, for distributions made after (variously) Mar. 1, 2016 or Aug. 11, 2016, and before Jan. 1, 2018	Y	40-18-14.1; 40-18-25.1(b)
402(c)(3)	Rollover period for plan loan offset amounts is extended from 60 days, to tax return due date	Tax years beginning after Dec. 31, 2017	Y	40-18-14.1; 40-18-25.1(b)
408A(d)(6)(B)(iii)	Special rule allowing recharacterization of Roth IRA contributions and traditional IRA contributions does not apply to conversion contributions to a Roth IRA	Tax years after Dec. 31, 2017	Y	40-18-14-1; 40-18-25.1(a)/40-18-25.1(d)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
457(e)(11)(B)	Accrual limit for length of service award plans is increased from $3,000 to $6,000	Tax years beginning after Dec. 31, 2017	Y	40-18-14.1
460(c)(6)(B)(ii)	Overview-Bonus depreciation is increased to 100% ("full expensing") and is extended and modified. Placed-in-service deadline for disregard of some bonus depreciation-eligible property under the percentage of completion method is extended	Property placed in service after Sept. 27, 2017	Y	40-18-15(a)(8)
460(e)(1)(B),460(e)(1)(B)(ii), 460(e)(2)	Gross receipts limit to qualify for small construction contract exception to percentage of completion method is raised to $25 million	Contracts entered into after Dec. 31, 2017	Y	40-18-13(a)
461(l)	Excess business loss disallowance rule replaces limitation on excess farm loss for non-corporate taxpayers for tax years beginning after Dec. 31, 2017	Tax years beginning after Dec. 31, 2017 and ending before Jan. 1, 2026	N	-
471(c)	Alternatives to inventory accounting are made available to most small businesses meeting a $25 million gross receipts test	Tax years beginning after Dec. 31, 2017	Y	40-18-11
529(c)(3)(C)(i)(III)	Tax-free 60-day rollovers from 529 plan accounts to ABLE accounts are permitted	Distributions after Dec. 22, 2017 for transfers made before Jan. 1, 2026	Y	40-18-15(a)(28)
529(c)(7), 529(e)(3)(A)	$10,000 per year of 529 plan account funds may be used for elementary or secondary school tuition	Distributions made after Dec. 31, 2017	Y	40-18-15(a)(28)
529A(b)(2), 529A(b)(2)(B), 529A(b)(7)	ABLE account contribution limit is increased for contributions by account's designated beneficiary	Tax years beginning after Dec. 22, 2017) , for contributions before Jan. 1, 2026	Y	40-18-19(a)(11)

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
704(d)	Basis reduction for partnership charitable contributions amended	Partnership tax years beginning after Dec. 31, 2017	Y	§40-18-24(a)
743(d)(1)	Mandatory basis adjustment upon transfers of partnership interests amended	Sales and exchanges after Nov. 26, 2017	Y	40-18-6(16)c: §40-18-24(a)
864(c)(8), 1446	Treatment of gain or loss of foreign person from sale or exchange of partnership interests	Sales and exchanges after Nov. 26, 2017	Y	40-18-1.1
864(e)(2)	Fair market value method of interest expense allocation or apportionment repealed after 2017	Tax years beginning after Dec. 31, 2017	Y	40-18-1.1
965(a)	Pre-2018 accumulated deferred foreign income must be included in Subpart F income upon transition to a participation exemption system	Last tax year of a deferred income corporation beginning before Jan. 1, 2018	N*	-
1016(a)(23), 1044	Tax-free rollover of publicly traded securities gain into "specialized small business investment companies" is repealed	For sales after Dec. 31, 2017	Y	-
1016(a)(38), 1400Z-2	Gains invested in a Qualified Opportunity Fund can be temporarily deferred and permanently excluded if the investment in the Fund is held for 10 years	Dec. 22, 2017	N	-
1031(a)(1),1031(a)(2),1031(e), 1031(e),1031(h),1031(i)	Like-kind exchanges are limited to exchanges of real estate	Exchanges completed after Dec. 31, 2017	Y	40-18-8(c)
1221(a)(3),1231(b)(1)(C)	Patents, inventions, certain models or designs, and secret formulas or processes are excluded from the definition of a capital asset	Dispositions after Dec. 31, 2017	N	-
1397E	New tax-credit and direct-pay bonds may not be issued	Bonds issued after Dec. 31, 2017	N	-

INDIVIDUAL INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
3405	Favorable tax treatment provided for qualified 2016 disaster area plan distributions	Dec. 22, 2017 , for distributions made after (variously) Mar. 1, 2016 or Aug. 11, 2016, and before Jan. 1, 2018	Y	40-18-14.1

** This excludes circumstances where Section 965 income flows through a Subchapter K entity to an individual as a distributive share.*

EXHIBIT B

CORPORATE INCOME TAX

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
1(f)(2)(A), 1(f)(3), 1(f)(6), 1(i)(3)(C), & 1(i)(1)(c)	Inflation adjustment of income tax brackets to be made based on chained CPI-U (C-CPI-U), instead of the CPI-U	Tax years beginning after 2017	N	-
1(h)(11)(C)(iii)	Surrogate foreign corporation shareholders aren't eligible for reduced dividends rate	Dividends received after Dec. 22, 2017	N	-
1(j)(1)& 1(j)(5)	Breakpoints for imposition of 15% and 20% capital gains/qualified dividends rates are set as statutory dollar amounts, adjusted for inflation	Tax years beginning after 2017 and before 2026	N	-
1(j)(1)	Estates and trusts income tax rate structure replaced with 10%, 24%, 35%, and 37% tax brackets	Tax years beginning after 2017 and before 2026	N	-
11(b)&1445(e)	Reduction of corporate tax rates	Tax years beginning after Dec. 31, 2017	N	-
38(b)(37), 6501(m),38(c)(4)(B)(ix),45S, & 280C(a)	Employers are allowed a credit for paid family and medical leave	Wages paid in tax years beginning after Dec. 31, 2017 and before Jan. 1, 2020	N	-
38(c)(6)(E)	Limitation on aggregate business credits is conformed to the repeal of the corporate AMT	Tax years beginning after Dec. 31, 2017	N	-
41(D)(1)(A)	Code Sec. 174 research and experimental expenditures paid or incurred in tax years starting after 2021 are to be amortized over 5 years	Amounts paid or incurred in tax years beginning after Dec. 31, 2021	Y	40-18-33
41(e)(5)(C)(i) & 41(e)(5)(C)(ii)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	N	-
42(e)(3)(D)(ii), 42(h)(3)(H)(i)(II), 42(h)(6)(G)(i)(II), 42(h)(6)(G)(ii) & 45R(d)(3)(B)(ii), 162(o)(3)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	N	-

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
280F(d)(7)(B)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-33
430(c)(7)(D)(vii)(II), 877A(a)(3)(B)(i)(II)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-33
147(c)(2)(H)(ii), 179(b)(6)(A)(ii)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-33
512(d)(2)(B), 513(h)(2)(C)(ii)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-33
1274A(d)(2)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code	Tax years beginning after Dec. 31, 2017	Y	40-18-33
7872(g)(5)	Chained CPI-U (C-CPI-U) replaces CPI-U in inflation adjustments of various tax parameters under the Code(valuation of below market loans)	Tax years beginning after Dec. 31, 2017	Y	40-18-33
45C(a)	Orphan drug credit is reduced to 25% of qualified clinical testing expenses	Tax years beginning after Dec. 31, 2017	N	-
47(a), 47(c)(1) & 47(c)(2)(B)(iv)	Credit for qualified rehabilitation expenditures is limited to certified historic structures and has to be taken ratably over 5 years	Amounts paid or incurred after Dec. 31, 2017	N	-
53(d)(2), 53(d)(3), 53(E)& 1374(b)(3)(B)	Corporate minimum tax credit (MTC) may offset regular tax liability for any tax year, and is refundable for 2018-2021	Tax years beginning after Dec. 31, 2017	N	-
54A-54F, 54AA, 1397E & 6431	New tax-credit and direct-pay bonds may not be issued	Bonds issued after Dec. 31, 2017	N	-

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Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
55(a), 55(b)(1), 55(b)(3), 55(c)(1), 55(d)(2), 55(d)(3), 55(e), 56(b)(2)(C), 56(c), 56(g), 58(a)(3), 59(a)(1)(C), 59(a)(2), 59(b), 59(f)	Alternative minimum tax on corporations is repealed	Tax years beginning after 2017	N	-
62(a) & 63	20% deduction for qualified business income	Tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026	N/A	-
78	Repeal of Code Sec. 902 and other adjustments to the foreign tax credit to account for participation exemption	Tax years of foreign corporations beginning after Dec. 31, 2017	N	-
91	Transferred loss amount included in income upon transfer of foreign branch assets to a specified 10% owned foreign corporation	Transfers after Dec. 31, 2017	Y	40-18-33
118	Contributions made to the capital of a corporation is modified	Contributions made after Dec. 22, 2017 with certain exceptions for contributions made by government entity	Y	40-18-33
149(d)(1),149(d)(2),149(d)(3), 149(d)(4),149(d)(6)	Exclusion of interest on advance refunding bonds is repealed	Advance refunding bonds issued after Dec. 31, 2017	Y	40-18-33
162(e)(2) & 162(e)(7)	Business expense deduction for lobbying local government is repealed	Amounts paid or incurred on or after Dec. 22, 2017	Y	40-18-33
162(m)(2)	Definition of "publicly held corporation" subject to $1 million compensation deduction limit is expanded	Tax years beginning after Dec. 31, 2017	Y	40-18-33
162(m)(3)(A),162(m)(3)(B), 162(m)(3)(c)&162(m)(4)	Definition of "covered employee" who's subject to $1 million compensation deduction limit is expanded	Tax years beginning after Dec. 31, 2017	Y	40-18-33
162(m)(4)	Performance-based compensation and commissions are subject to $1 million deduction limit	Tax years beginning after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
162(q)	Business expense deduction is barred for settlement of sexual abuse or harassment suit that's subject to nondisclosure agreement	Amounts paid or incurred after Dec. 22, 2017	Y	40-18-33
163(j), 381(c)(20), 382(d)(3) & 382(k)(1)	Deduction for net business interest is limited to 30% of adjusted taxable income, with indefinite carryover	Tax years beginning after Dec. 31, 2017	Y	40-18-33
168(b)(2)	200% declining balance method of MACRS depreciation is made available for many types of MACRS farming property	Property placed in service after Dec. 31, 2017	Y	40-18-33
168(b)(3),168(b)(3)(G), 168(e),168(e)(3)(E),168(e)(6), 168(g)(3)(B)	Eligibility of building improvements for a 15-year recovery period is expanded	Property placed in service after Dec. 31, 2017	Y	40-18-33
168(e)(3)(B)(vii)	Most new farming equipment and machinery is made 5-year MACRS property	Property placed in service after Dec. 31, 2017	Y	40-18-33
168(g)(1)(F)	ADS depreciation for buildings (and improvements) if election is made to exempt a real property business from the business interest deduction limit	Tax years beginning after Dec. 31, 2017	Y	40-18-33
168(g)(1)(G)	ADS depreciation required for 10-year-or-more MACRS property if election made to exempt farming from the business interest deduction limitation	Tax years beginning after Dec. 31, 2017	Y	40-18-33
168(g)(2)(C)	ADS recovery period for residential rental property is shortened to 30 years	Property placed in service after Dec. 31, 2017	Y	40-18-33
168(k)	Corporate election trading bonus and accelerated depreciation for otherwise-deferred AMT credits is ended (conforming to repeal of corporate AMT)	Tax years beginning after Dec. 31, 2017	Y	40-18-33
168(k), 168(k) & 168(k)(2)(A)(i)	Overview-Bonus depreciation is increased to 100% ("full expensing") and is extended and modified	Property placed in service after Sept. 27, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
168(k)(1)(A),168(k)(6),168(k)(8) &168(k)(10)	Bonus depreciation increased to 100% (full expensing) with phase down generally deferred from 2018 to 2023	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(2)(A)(i) & 168(k)(2)(H)	Qualified film, television and live theatrical productions added to "qualified property" eligible for 100% bonus depreciation (full expensing)	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(2)(A)(i)	Qualified improvement property made no longer eligible for bonus depreciation	Property placed in service after Dec. 31, 2017	Y	40-18-33
168(k)(2)(A)(ii), 168(k)(2)(E)(ii) & 168(k)(2)(E)(iii)(I)	Used property is allowed 100% bonus depreciation (full expensing)	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(2)(A)(iii) & 168(k)(2)(F)(iii)	$8,000 increase for "qualified property" in the first-year depreciation cap for passenger autos is extended	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(2)(A)(iii), 168(k)(2)(B)(i)(II),168(k)(2)(B)(i)(III), 168(k)(2)(B)(ii) & 168(k)(2)(E)(i)	Bonus depreciation and other benefits for qualified property are extended	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(4)	Corporate minimum tax credit (MTC) may offset regular tax liability for any tax year, and is refundable for 2018-2021	Tax years beginning after Dec. 31, 2017	N	-

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
168(k)(5),168(k)(5)(A),168(k)(5)(A)(i),168(k)(6)(C) & 168(k)(10)	Elective form of bonus depreciation for specified plants is extended and increased to 100% (full expensing) with phase down deferred from 2018 to 2023	Plants planted or grafted after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
168(k)(9)	Property used in certain businesses exempt from business interest limitations is excluded from 100% bonus depreciation (full expensing)	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
170(l)(1)	Charitable deduction is denied for contributions to a college or university in exchange for athletic event seating rights	Contributions in tax years beginning after Dec. 31, 2017	Y	40-18-33
172, 172(b)(1), 172(b)(1)(A), 172(b)(1)(B)& 172(b)(1)(c)	NOLs can't be carried back, but can be carried forward indefinitely	NOLs arising in tax years ending after Dec. 31, 2017	N	-
172(a), 172(b)(2), 172(d)(6)(C) & 172(f)	NOL deduction is limited to 80% of taxable income	Losses arising in tax years beginning after Dec. 31, 2017	N	-
174	Code Sec. 174 research and experimental expenditures paid or incurred in tax years starting after 2021 are to be amortized over 5 years	Amounts paid or incurred in tax years beginning after Dec. 31, 2021	Y	40-18-33
179(b)(1), 179(b)(2),179(b)(6)(A), 179(b)(6)(A)(ii), & 179(b)(6)(A)(ii)	Pre-adjustment Code Sec. 179 limits raised to $1 million (annual limit on expensing) and $2.5 million (annual phase-down threshold based on investment)	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-33
179(b)(6)(A)&179(b)(6)(B)	$25,000 per-vehicle limit on Code Sec. 179 expensing of SUVs is made adjustable for inflation	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-33
179(d)(1)	Otherwise-qualifying residential property no longer excluded from section 179 property	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
179(d)(1)(B)(ii) & 179(f)	More building improvements are made eligible to be section 179 property	Property placed in service in tax years beginning after Dec. 31, 2017	Y	40-18-33
199	Domestic production activity deduction (DPAD) is repealed	Tax years beginning after Dec. 31, 2017	Y	40-18-33
199A	20% deduction for qualified business income	Tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026	N/A	-
243, 245(c)(1)(B), 246(b)(3) & 246A(a)(1)	Reduction in corporate dividends received deduction	Tax years beginning after Dec. 31, 2017	N	-
245A, 246(c)(1), & 246(c)(2)	Deduction allowed for dividends received by a corporate U.S. shareholder from a specified 10% owned foreign corporation under participation exemption system	Distributions made after Dec. 31, 2017	N	-
250	Domestic corporations allowed deduction for foreign-derived intangible income and global intangible low-taxed income	Tax years beginning after Dec. 31, 2017	Y	40-18-33
263A(d)(2)(C)	Minority and subsequent owners can expense certain costs of replanting citrus plants lost by reason of casualty	Amounts paid or incurred after Dec. 22, 2017 and before Dec. 22, 2027	Y	40-18-33
263A(f)	Production period for beer, wine, distilled spirits won't include their aging period for UNICAP interest capitalization rule purposes for the next 2 years	For interest costs paid or accrued in calendar years beginning after Dec. 31, 2017 and before Jan. 1, 2020	Y	40-18-33
263A(i)	Small business exception to UNICAP rules is expanded to apply to producers and resellers meeting the $25 million gross receipts test	Tax years beginning after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
267A	Deduction is disallowed for certain related party amounts paid or accrued in hybrid transactions or with hybrid entities	Tax years beginning after Dec. 31, 2017	Y	40-18-33
274(a)(1), 274(a)(1)(A), 274(a)(2)(C), 274(d), 274(d), 274(l), 274(n), 274(n)(1), 274(n)(2), & 7701(b)(5)(A)(iv)	Business deduction is denied for entertainment expenses	Amounts incurred or paid after Dec. 31, 2017	Y	40-18-33
274(a)(4) & 274(l)	Employers can't deduct cost of providing qualified transportation fringes and other transportation benefits	Amounts incurred or paid after Dec. 31, 2017	Y	40-18-33
274(j)(3)(A)	Cash, gift cards, and certain other property don't qualify as employee achievement awards	Amounts paid or incurred after Dec. 31, 2017	Y	40-18-33
274(n)(2)& 274(o)	Expenses for employer-operated eating facilities are only 50% deductible through 2025, then become nondeductible	Amounts incurred or paid after Dec. 31, 2017, and before Jan. 1, 2026	Y	40-18-33
280C(b)	Reduced orphan drug credit (from 50% to 25%) election is available to avoid having to reduce any deduction or charge to capital account for qualified clinical testing expenses	Tax years beginning after Dec. 31, 2017	N	-
280C(c)(1) & 280C(c)(2)	Code Sec. 174 research and experimental expenditures paid or incurred in tax years starting after 2021 are to be amortized over 5 years	Amounts paid or incurred in tax years beginning after Dec. 31, 2021	Y	40-18-33
280F(a)(1)(A), 280F(a)(1)(B), 280F(d)(7)(B)(i), 280F(d)(7)(B)(i)(II), & 280F(d)(7)(B)(ii)	Annual caps on depreciation of passenger automobiles are raised	Property placed in service after Dec. 31, 2017	Y	40-18-33
280F(d)(4) & 280F(d)(4)(A)	Treatment of computer equipment as listed property is ended	Property placed in service after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
367(a)(3)	Repeal of active trade or business exception under Code Sec. 367	Transfers after Dec. 31, 2017	Y	40-18-33
367(d)(2),482& 936(h)(3)(B)	Limitations imposed on income shifting through intangible property transfers	Transfers in tax years beginning after Dec. 31, 2017	Y	40-18-33
447(c), 447(c)(2), 447(d), 448 (b)(3), 448(c)(1), 448(c)(4), 448 (d)(7)	Gross receipts limits for cash-method use by farming C corporations (and certain partnerships) are raised to a uniform $25 million and some related rules are changed	Tax years beginning after Dec. 31, 2017	Y	40-18-33 & 40-18-24
451(b)	Income inclusion for tax purposes can't be later than when included for certain financial reporting purposes	Tax years beginning after Dec. 31, 2017	Y	40-18-33
451(c)	Accrual basis taxpayers may defer inclusion of advance payments in income to the end of year after year of receipt if so deferred for financial reporting	Tax years beginning after Dec. 31, 2017	Y	40-18-33
460(c)(6)(B)(ii)	Overview-Bonus depreciation is increased to 100% ("full expensing") and is extended and modified	Property placed in service after Sept. 27, 2017	Y	40-18-33
460(c)(6)(B)(ii)	Placed-in-service deadline for disregard of some bonus depreciation-eligible property under the percentage of completion method is extended	Property placed in service and acquired after Sept. 27, 2017 and before Jan. 1, 2027	Y	40-18-33
460(e)(1)(B),460(e)(1)(B)(ii)& 460(e)(2)	patents, inventions, certain models or designs, and secret formulas or processes are excluded from the definition of a capital asset	Contracts entered into after Dec. 31, 2017	Y	40-18-33
471(c)	Alternatives to inventory accounting are made available to most small businesses meeting a $25 million gross receipts test	Tax years beginning after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
481(d),1371(f)	Treatment of revocations of S corporation elections	Dec. 22, 2017	Y	40-18-33
512(a)(6)	Tax-exempt organizations' unrelated business taxable income calculated separately for each trade or business	For tax years beginning after Dec. 31, 2017	Y	40-18-25.1 & 40-18-32
512(a)(7)	Tax-exempt organizations' unrelated business taxable income is increased for any qualified transportation fringe or any parking facility used in connection with qualified parking	For tax years beginning after Dec. 31, 2017	Y	40-18-25.1 & 40-18-32
641(c)(2)(E)	Charitable deductions of Electing Small Business Trusts (ESBTs)	Tax years beginning after Dec. 31, 2017	N/A	-
704(d)	Basis reduction for partnership charitable contributions amended	Partnership tax years beginning after Dec. 31, 2017	Y	40-18-33
708(b)(1)	Repeal of partnership technical termination rule	Partnership tax years beginning after Dec. 31, 2017	Y	40-18-33
743(d)(1)	Mandatory basis adjustment upon transfers of partnership interests amended	Sales and exchanges after Nov. 26, 2017	Y	40-18-33
863(b)	Source of income from sales of inventory determined solely on basis of production activities	Tax years beginning after Dec. 31, 2017	Y	40-18-33
864(c)(8)& 1446(f)	Treatment of gain or loss of foreign person from sale or exchange of partnership interests	Sales and exchanges after Nov. 26, 2017	N/A	-

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Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
864(e)(2)	Fair market value method of interest expense allocation or apportionment repealed after 2017	Tax years beginning after Dec. 31, 2017	Y	40-18-33
882(a), 26(b)(2), 59A, 6038A (b), 6425(c)(1)(A), & 6655	Base erosion minimum tax added on payments to foreign related parties.	Tax years beginning after Dec. 31, 2017	N	-
902 & 960	Repeal of Code Sec. 902 and other adjustments to the foreign tax credit to account for participation exemption	Tax years of foreign corporations beginning after Dec. 31, 2017	N	-
904(b)(5)	Dividends allowed as a Code Sec. 245A Dividend Received Deduction are not treated as foreign source income for purposes of the foreign tax credit limitation	Deductions for tax years ending after Dec. 31, 2017	N	-
904(c), 904(d)(1), & 904(d)(2)(A)(ii)	Separate foreign tax credit basket for global intangible low-taxed income (GILTI)	Tax years of foreign corporations beginning after Dec. 31, 2017	N	-
904(d)(1)& 904(d)(2)(J)	Addition of separate foreign tax credit basket for foreign branch income	Tax years beginning after Dec. 31, 2017	N	-
904(g)	Taxpayers who sustain a pre-2018 overall domestic loss can elect to recharacterize as much as 100% of U.S. source income as foreign source income	Tax years beginning after Dec. 31, 2017 and before Jan. 1, 2028	N	-
951(a)(1)	Requirement that corporation must be controlled for 30 days before Subpart F inclusions apply is eliminated	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33
951(b)	Definition of U.S. shareholder of a controlled foreign corporation expanded to include 10% owner by value	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33
951A	U.S. shareholders of CFCs must include their global intangible low-taxed income (GILTI) in gross income	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33

CORPORATE INCOME TAX

Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
954(a)(5) & 954(g)	Foreign base company oil-related income not included in foreign base company income	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33
955	Previously excluded Subpart F income withdrawn from a qualified shipping investment no longer included in U.S. shareholder's income	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33
958(b)	Subpart F constructive attribution rules allow downward attribution from foreign persons to related U.S. persons	The last tax year of foreign corporations beginning before Jan. 1, 2018	*Y*	*40-18-33*
960(d)	80% deemed paid foreign tax credit available for global intangible low-taxed income	Tax years of foreign corporations beginning after Dec. 31, 2017	Y	40-18-33
961(d)	Basis of stock in specified 10% owned foreign corporation reduced to the extent of Code Sec. 245A DRD in determining loss on disposition	Distributions made after Dec. 31, 2017	Y	40-18-33
964(e)(4)	Amounts treated as dividends under Code Sec. 1248 and Code Sec. 964(e) are treated as dividends for purposes of the Code Sec. 245A DRD	Sales or exchanges after Dec. 31, 2017	Y	40-18-33
965(a), 965(d), 965(e), 965(m), & 965(o)	Pre-2018 accumulated deferred foreign income must be included in Subpart F income upon transition to a participation exemption system	Last tax year of a deferred income corporation beginning before Jan. 1, 2018	Y	40-18-33
965(b) & 965(f)	Foreign E&P deficits reduce the pre-2018 accumulated deferred foreign income included in Subpart F	Last tax year of a deferred income corporation beginning before Jan. 1, 2018	Y	40-18-33

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Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
965(c), 965(g), & 965(l)	Deduction for pre-2018 accumulated deferred foreign income; disallowance of foreign tax credit for deducted portion; recapture for expatriated entities	Last tax year of a deferred income corporation beginning before Jan. 1, 2018	Y	40-18-33
965(i) & 965(j)	S corporation shareholders may elect to defer net tax liability for accumulated deferred foreign income until a triggering event	Last tax year of a deferred income corporation beginning before Jan. 1, 2018	N/A	-
1016(a)(1)	Cost of insurance adjustment to the basis of life insurance or annuity contracts is retroactively eliminated	For transactions entered into after Aug. 25, 2009	Y	40-18-33
1016(a)(23) & 1044	Tax-free rollover of publicly traded securities gain into "specialized small business investment companies" is repealed	For sales after Dec. 31, 2017	Y	40-18-33
1016(b)(38)	Gains invested in a Qualified Opportunity Fund can be temporarily deferred and permanently excluded if the investment in the Fund is held for 10 years	Dec. 22, 2017	Y	40-18-33
1031(a)(1),1031(a)(2),1031(e), 1031(h)& 1031(i)	Like-kind exchanges are limited to exchanges of real estate	Exchanges completed after Dec. 31, 2017	Y	40-18-33
1061	Certain gains from partnership profits interests held in connection with performance of investment services are short-term capital gains if held for 3 years or less	Tax years beginning after Dec. 31, 2017	N	-
1221(a)(3) & 1231(b)(1)(c)	Patents, inventions, certain models or designs, and secret formulas or processes are excluded from the definition of a capital asset	Dispositions after Dec. 31, 2017	Y	-

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Federal Code	Federal Change	Effective Date	Tied to Federal	Corresponding State Authority
1248	Amounts treated as dividends under Code Sec. 1248 and Code Sec. 964(e) are treated as dividends for purposes of the Code Sec. 245A DRD	Sales or exchanges after Dec. 31, 2017	Y	40-18-33
1361(c)(2)(B)(v)	Expansion of qualifying beneficiaries of Electing Small Business Trusts (ESBTs)	Jan. 1, 2018	N/A	-
4960	Excise tax imposed on tax-exempt organizations that pay excess compensation	For tax years beginning after Dec. 31, 2017	N	-
4968	New excise tax imposed on investment income of private colleges and universities	Tax years beginning after Dec. 31, 2017	N	-
none	Normalization requirements for public utility property	Tax years beginning after Dec. 31, 2017	Y	-