

Topics

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Choice of Entity – What is the Context?

- New Business.
- Existing Business: Restructure or convert? Is the current structure the optimal structure for tax purposes or should it change its structure to improve its tax result (by, for example, becoming a C corporation)?
- Dependent Upon Client Projections ("we'll be IPOing next year!!").
- Model results of structure
- No one-size fits all

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Choice of Entity: the Menu (Read Through Tax-Colored Glasses)

- Sole Proprietorship.
- Pass-through entities ("RPEs" in §1.199A-1(b)(9)).
 - S corporations.
 - Partnerships (LPs, GPs, LLPs, PTPs, LLCs).
 - Disregarded entities ("DREs").
- Corporate entities.
 - C corporations.
 - C corporations that qualify under section 1202.
- Others.
 - PTPs.
 - REITs.
 - Cooperatives.

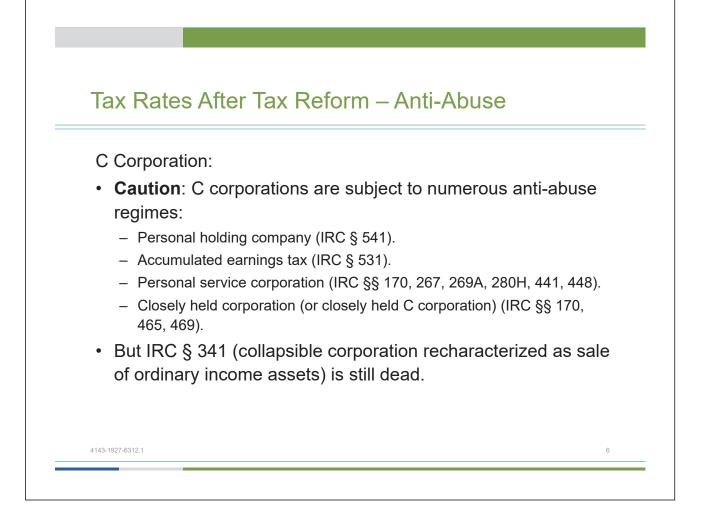
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Tax Rates After Tax Reform

- C Corporation:
 - 21% rate.

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- No longer graduated.
- Corporate alternative minimum tax repealed (AMT).
- No favorable capital gains rate.
- Effective rate on earnings distributed to shareholders is 36.8% (21% plus 20% on qualified dividend income of \$79).
- If earnings are not distributed, 21% rate becomes effective rate, but beware of numerous anti-abuse regimes.



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Title search: Rock, Paper, Scissors? Choice of Entity After Tax Reform

Also available as part of the eCourse 2018 Taxation eConference

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