

Tear out this quick guide for use during tax season, and look for our quick guide for individual taxpayers in the January 2017 issue.

### Corporate income tax table

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$50,000	15%		\$0
\$50,000	\$75,000	\$7,500	25%	\$50,000
\$75,000	\$100,000	\$13,750	34%	\$75,000
\$100,000	\$335,000	\$22,250	39%	\$100,000
\$335,000	\$10,000,000	\$113,900	34%	\$335,000
\$10,000,000	\$15,000,000	\$3,400,000	35%	\$10,000,000
\$15,000,000	\$18,333,333	\$5,150,000	38%	\$15,000,000
\$18,333,333		35%		\$0

#### QUALIFIED PERSONAL SERVICE CORPORATION TAX

- Taxable income of a qualified personal service corporation: Taxed at a flat rate of 35%.

#### ACCUMULATED EARNINGS TAX

- 20% of accumulated taxable income (in addition to regular corporate income tax).

#### PERSONAL HOLDING COMPANY TAX

- 20% penalty on undistributed personal holding company income.
- No foreign tax credit allowed against personal holding company tax.

#### SELF-EMPLOYMENT TAX

- Tax rate: 15.3% (12.4% OASDI tax plus 2.9% Medicare tax).
- Surtax: 0.9% Medicare surtax added to self-employment income in excess of \$200,000 (single), \$250,000 (married filing jointly), or \$125,000 (married filing separately).

- Wage base: \$118,500 of self-employment income for OASDI (maximum OASDI tax of \$14,694; no ceiling on Medicare tax).

#### SOCIAL SECURITY TAX

- Tax rate: 7.65%, imposed on both employer and employee (6.2% OASDI tax plus 1.45% Medicare tax).
- Wage base: \$118,500 of wages for OASDI (maximum OASDI tax of \$14,694; no ceiling on Medicare tax).

#### FEDERAL UNEMPLOYMENT TAX

- Tax rate: Employers pay 6% on first \$7,000 of wages paid to each employee.
- Credit: Maximum amount of 5.4% for contributions paid to state unemployment insurance funds.

#### ESTIMATED TAX

- Corporations owing \$500 or more in income tax for the tax year must make estimated tax payments equaling the lesser of 100% of the prior-year or current-year tax

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# Business tax quick guide—tax year 2016

liability. Large corporations must base the last three payments on the current-year tax liability.

- Due on the 15th day of the fourth, sixth, ninth, and 12th months of the corporation's tax year (April 15, June 15, Sept. 15, and Dec. 15 for calendar-year corporations).

## CORPORATE ALTERNATIVE MINIMUM TAX (AMT)

- Tax rate: 20%
- Exemption amount: \$40,000 minus 25% of AMTI over \$150,000 (exemption phased out when AMTI equals \$310,000).
- Small businesses are exempt from AMT in the first year of their existence and if they satisfy a gross receipts test in subsequent years.

## NONRESIDENT AND FOREIGN CORPORATIONS

- Taxed on U.S.-source investment income at 30% (or lower under treaty).
- Net income effectively connected with a U.S. trade or business taxed at regular U.S. tax rates; also subject to AMT.
- Accumulated earnings tax of 20% of accumulated taxable income.
- Branch profits tax of 30% on dividend equivalent amount.
- 4% tax on U.S.-source gross transportation income that is not effectively connected with a U.S. trade or business.

## FILING DEADLINES

- Form 1120, *U.S. Corporation Income Tax Return*: April 15 for calendar-year corporations (extension to Sept. 15 available (Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*)); 15th day of the fourth month following the close of the corporation's tax year for fiscal years ending other than June 30 (six-month extension available); Sept. 15 for corporations with a June 30 fiscal year end (extension to April 15, 2018, available).
- Form 1065, *U.S. Return of Partnership Income*: 15th day of the third month following the close of the partnership's tax year (six-month extension available (Form 7004)).
- Form 1065, Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.*: Due to partners on or before the date the partnership files Form 1065.
- Form 1120S, *U.S. Income Tax Return for an S Corporation*: 15th day of the third month following the close of the corporation's tax year (six-month extension available (Form 7004)).
- Form 1120S, Schedule K-1, *Shareholder's Share of Income, Deductions, Credits, etc.*: Due to shareholders on or before the date the S corporation files Form 1120S.

## STANDARD MILEAGE RATE

- For business use of auto: 54 cents per mile.
- Deemed depreciation: 24 cents per mile.

## Business auto depreciation limits

	Year 1	Year 2	Year 3	Years 4–6
Passenger automobiles	\$3,160	\$5,100	\$3,050	\$1,875
Passenger automobiles with bonus depreciation	\$11,160	\$5,100	\$3,050	\$1,875
Trucks and vans	\$3,560	\$5,700	\$3,350	\$2,075
Trucks and vans with bonus depreciation	\$11,560	\$5,700	\$3,350	\$2,075

## TRAVEL PER-DIEM RATES

- High-low method: \$275 per day (\$68 for meals) through Sept. 30, \$282 per day (\$68 for meals) after Sept. 30, for high-cost localities; \$185 per day (\$57 for meals) through Sept. 30, \$189 per day (\$57 for meals) after Sept. 30, for other localities in the continental United States (CONUS).
- Incidental expenses: \$5 per day.
- Transportation industry meals and incidentals: \$63 per day (CONUS); \$68 per day (outside CONUS).

## SEC. 179 AND BONUS DEPRECIATION

- Sec. 179 expense deduction: \$500,000 with \$2,010,000 threshold limit.
- Bonus depreciation: 50% of the cost of eligible property placed in service in 2016.

## DIVIDENDS-RECEIVED DEDUCTION

- From a domestic corporation: 70%.
- From a corporation owned 20% or more: 80%.
- From a member of an affiliated group filing a separate return: 100%.

## S CORPORATIONS

- Built-in gains tax: Highest corporate tax rate times net recognized built-in gain (imposed during the recognition period on S corporations that were formerly C corporations).
- Excess net passive income tax: Imposed if an S corporation has accumulated earnings and profits at the end of the tax year and its passive investment income exceeds 25% of the corporation's gross receipts. Highest corporate tax rate times excess net passive income.
- LIFO recapture amount: Excess (if any) of the inventory amount under FIFO over the inventory amount under LIFO at the close of the S corporation's last C corporation tax year must be included in the corporation's gross income.