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Business tax quick guide—tax year 2016

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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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.