***Journal of Accountancy***

**Business tax quick guide — Tax year 2021-2022**

**C CORPORATION INCOME TAX**

* Taxable income of a C corporation: Taxed at a flat rate of 21%.

**QUALIFIED PERSONAL SERVICE CORPORATION TAX**

* Taxable income of a qualified personal service corpora- tion is taxed at the regular corporate tax rate of 21%.

**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 on self-employment income in excess of $200,000 (single), $250,000 (married filing jointly), or $125,000 (married filing separately).
* Wage base: $142,800 of self-employment income for OASDI (maximum OASDI tax of $17,707.20; 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: $142,800 of wages for OASDI (maximum OASDI tax of $17,707.20; 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 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)**

* AMT no longer applies to corporations.

**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.
* 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 Oct. 15 available (Form 7004, *Application for Automatic Exten- sion of Time to File Certain Business Income Tax, Informa- tion, 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, 2023, available).

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* 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 1120-S, *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 1120-S, Schedule K-1, *Shareholder’s Share of Income, Deductions, Credits, etc*.: Due to shareholders on or before the date the S corporation files Form 1120-S.

**STANDARD MILEAGE RATE**

* For business use of auto: 56 cents per mile (note that unreimbursed employee business expenses are no lon- ger deductible as a miscellaneous itemized deduction).
* Deemed depreciation: 26 cents per mile.

**GLOBAL INTANGIBLE LOW-TAXED INCOME**

* U.S. persons owning 10% or more of the stock (by vote or value) of a controlled foreign corporation (CFC) must include in currently taxable income “global intangible low-taxed income” (GILTI), effective with the CFC’s first tax year beginning after Dec. 31, 2017, regardless of whether any amount is distributed to the shareholder.
* Corporations may claim a deduction of 50% of GILTI.
* U.S. persons owning 10% or more of the stock (by vote or value) of a “deferred foreign income corporation” must increase the foreign corporation’s Subpart F income for the last tax year of the foreign corporation that begins prior to Jan. 1, 2018, by an amount equal to its “accumulated post-1986 deferred foreign income.” Taxpayers generally may elect to pay the tax resulting from the inclusion in eight annual installments.

**FOREIGN-DERIVED INTANGIBLE INCOME**

* Domestic corporations (other than regulated invest- ment companies and real estate investment trusts) can deduct 37.5% of the corporation’s “foreign derived intangible income.”

**BUSINESS INTEREST DEDUCTIONS**

* Business interest deductions are limited to the sum of
  1. business interest income; (2) 30% of the taxpayer’s adjusted taxable income for the tax year; and (3) the taxpayer’s floor plan financing interest for the tax year.
* Any disallowed business interest deduction can be carried forward indefinitely (with certain restrictions for partnerships).

**NET OPERATING LOSSES**

* Limited to 80% of taxable income.
* Can be carried forward indefinitely; cannot be carried back (except for farming businesses).

**LIKE-KIND EXCHANGES**

* Limited to real property not primarily held for sale.

**TRAVEL PER DIEM RATES**

* High-low method: $292 per day ($71 for meals) through Sept. 30, $296 per day ($74 for meals) after Sept. 30, for high-cost localities; $198 per day ($60 for meals) through Sept. 30, $202 per day ($64 for meals) after Sept. 30, for other localities in the continental United States (CONUS).
* Transportation industry meals and incidentals: $66 per day through Sept. 30, $69 per day after Sept. 30 (CONUS); $71 per day through Sept. 30, $74 per day after Sept. 30 (outside CONUS).

**SEC. 179 AND BONUS DEPRECIATION**

* Sec. 179 expense deduction: $1,050,000 with $2,620,000 threshold limit.
* Bonus depreciation: 100% of the cost of eligible prop- erty placed in service in 2021.

**DIVIDENDS-RECEIVED DEDUCTION**

* From a domestic corporation: 50%.
* From a domestic corporation owned 20% or more: 65%.
* From a member of an affiliated group filing a separate return: 100%.
* From a qualified 10%-owned foreign corporation: 50% of the U.S.-source portion; 100% of the foreign-source portion.

**S CORPORATIONS**

* Built-in gains tax: Corporate tax rate times net recog- nized 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 corpora- tion 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. 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 an S corporation’s last C corporation tax year must be included in the corporation’s gross income in the last C corporation tax year.

**Business auto depreciation limits**

For vehicles placed in service during 2021.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Years 4–6** |
| **Passenger automobiles\*** | $10,200 | $16,400 | $9,800 | $5,860 |
| **Passenger automobiles\* with bonus depreciation** | $18,200† | $16,400 | $9,800 | $5,860 |

\* Including trucks and vans.

† No bonus depreciation is available if vehicle was acquired before Sept. 28, 2017, and placed in service after 2019.

Source: Journal of Accountancy