Implications and Complications of Tax Reform

Moderator: Hon. Sadzi Oliva, Illinois
Excess Deferred Taxes

Return of Excess Taxes

- Co Retaining Excess Tax
- Flow Back Period
  - Protected
  - Flow Back Period
  - UnProtected
  - Unrestricted

- Methods
  - Average Rate Assumption Method
  - Primary Method
  - Alternative Method
  - Reverse South Georgia Method
  - Limited Records

- To offset under earnings
  - Allocate to Future Capital Projects

- Private Letter Ruling
  - Revenue Rulings
  - IRS

- APB Opinion No 11
  - Income Stmt Focused
  - Deferral Method
  - Revenue Rulings

- ASC 740
  - Bal Sheet Focused
  - Current
  - Def Tax Accounting
  - TRA 86
Major Provisions

- **Tax Cuts and Jobs Act**
  - **Flow-through and sole proprietor**
  - **Business Structure**
    - Eligible Income Limited
    - 20% deduction
  - **Net Operating Loss Limited**
  - **Bonus Depreciation**
  - **Energy and Water Excluded**
    - Normal MACRS Life
    - Water Plant remains 25 year SL
  - **Repealed**
    - Domestic Production Activities Deduction
  - **Corporate Tax Rate Change**
    - 35% to 21%
    - Excess Deferred Taxes
    - Lowers Cost of Service
  - **Contributions in Aid of Construction**
  - **Gross-up**
    - 100% Taxable
    - No Change in MACRS Asset Life
  - **New Tax Rate**
    - Economic Impact