Tax Reform Plan Makes C Corporations More Appealing

The Republican tax reform plan released this week proposes changes that are likely to make C corporation structures more appealing to U.S. business owners and investors, according to a post on the website of **Androvett Legal Media & Marketing**.

"The reduction of the top corporate tax rate from 35 percent to 20 percent could certainly lead to a renewed interest in C corporations," said Dallas tax lawyer **Nathan Smithson** of **Jackson Walker LLP**. "An investment in a corporation is subject to two levels of federal income taxation – once at the corporate level, and then again when a distribution is made out of the corporation to the investor. The proposed 20 percent corporate tax rate would make this investment far more palatable.

"The plan also lowers rates for partnerships and LLCs. However, investors and business owners who do not want to subject themselves to the more complex partnership tax rules – including paying taxes on their share of entity-level income – may now want to convert their entities to corporations," said Smithson, who advises corporations, LLCs and partnerships on federal tax planning.

"An original investment in stock of a qualifying small business corporation can be sold tax-free if held for five or more years. A drop from a 35 percent to a 20 percent rate may make this type of investment a no-brainer for investors looking to minimize their overall taxes on corporate income."

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