

TAX REFORM – BLENDED TAX RATE FOR FISCAL YEAR TAXPAYERS

The Tax Reform Act of 2017 replaced the previous graduated corporate tax rate structure (top rate of 35%) with a flat tax rate (21%) for taxable years beginning after December 31, 2017. The application of the new rate is clear for calendar year taxpayers, but fiscal year corporations will file a tax return with income from both 2017 and 2018. These fiscal year taxpayers will not benefit from the newly introduced lower rate, but a blended tax rate will apply.

To determine the blended rate for fiscal year taxpayers, take the following steps: 1) calculate what percentage of the fiscal year occurred in 2017 and what percentage in 2018, 2) multiply the 2017 percentage by 35% and the 2018 percentage by 21%, and 3) add these two rates and the sum is the blended rate to apply to current fiscal year income.

BLENDED RATE FOR FISCAL YEAR TAXPAYERS							
Fiscal Year End Date	Days in 2017	Days in 2018	% of Days in 2017	% of Days in 2018	Prorated Rate for 2017	Prorated Rate for 2018	Applicable Blended Rate
January 31, 2018	334	31	92%	8%	32%	1.8%	33.8%
February 28, 2018	306	59	84%	16%	29.3%	3.4%	32.7%
March 31, 2018	275	90	75%	25%	26.3%	5.3%	31.6%
April 30, 2018	245	120	67%	33%	23.5%	6.9%	30.4%
May 31, 2018	214	151	59%	41%	20.5%	8.7%	29.2%
June 30, 2018	184	181	50%	50%	17.6%	10.4%	28%
July 31, 2018	153	212	42%	58%	14.7%	12.2%	26.9%
August 31, 2018	122	243	33%	67%	11.7%	14%	25.7%
September 30, 2018	92	273	25%	75%	8.8%	15.7%	24.5%
October 31, 2018	61	304	17%	83%	5.8%	17.5%	23.2%
November 30, 2018	31	334	8%	92%	3%	19.2%	22.2%
December 31, 2018	0	365	0%	100%	0%	21%	21%

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