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ENTITY SELECTION AFTER TAX REFORM

To convert or not to convert - that is the question!

The Tax Reform legislation has business owners considering whether their current business structure is most advantageous with the new regulations. C Corporations are now taxed at a flat 21% federal income tax rate which leads to business owners asking whether they should re-structure their business as a C Corporation, rather than remain an S Corporation which is considered as a pass-through entity (income passes through to business owners).

While upon initial consideration, it might appear advantageous to convert to a C Corp, there are many things to consider before making this decision. You should consult your CG Healthcare experts to discuss whether this change is right for you. The answer will not be the same for every business owner:

- C Corporations are still subject to two levels of taxation – one at the corporate level and one at the shareholder level on dividends.
- If a C Corporation accumulates cash, it can be subject to penalties.
- Upon sale of a C Corporation, there are two levels of taxation.
- The new Section 199A Qualified Business deduction needs to be considered as to whether you will benefit from this by remaining a pass-through entity.
- Uncertainty behind whether the reduction in the C Corporation tax rate may change at some point in the future.
- What will be in the impact of a change on state corporate tax rates ?

Looking solely at tax rates could lead you to make the wrong decision. Each business's situation, strategy and goals need to be considered thoroughly before a decision should be made. Our CG Healthcare Experts are here to help. [Contact Mike Lewis, MBA, FACMPE and Deb Mathis, CPA, CHBC today.](#)



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