

MARGINAL BUSINESS TAX RATES UNDER CAMP TAX REFORM DRAFT

Income (Joint)	Manufacturing S Corporation		Retail S Corporation		C Corporation
	<i>Passive Shareholder</i>	<i>Active Shareholder</i>	<i>Passive Shareholder</i>	<i>Active Shareholder</i>	
Less than \$75,000 (10% Bracket)	10 Percent	20.7 Percent	10 Percent	20.7 Percent	25 Percent
\$75,000 to FICA Cap	25 Percent	35.7 Percent	25 Percent	35.7 Percent	25 Percent
FICA Cap to \$250,000	25 Percent	27.7 Percent	25 Percent	27.7 Percent	25 Percent
\$250,000 to \$300,000 (ACA Investment Tax)	28.8 Percent	27.7 Percent	28.8 Percent	27.7 Percent	25 Percent
\$300,000 to \$450,000 (10% Bracket Phaseout)	33.8 Percent	32.7 Percent	33.8 Percent	32.7 Percent	25 Percent
\$450,000 to \$513,600 (10% Surtax)	33.8 Percent	39.7 Percent	43.8 Percent	42.7 Percent	25 Percent
\$513,600 to \$623,600 (Standard Deduction Phaseout)	33.8 Percent	39.7 Percent	43.8 Percent	42.7 Percent	25 Percent
\$623,600 and Above (Assuming No Children)	28.8 Percent	34.7 Percent	38.8 Percent	37.7 Percent	25 Percent

Notes:

- 1 - Source: S-Corp analysis. For a write-up of how the various phase-outs in the plan affect marginal rates, see -- <http://taxvox.taxpolicycenter.org/2014/02/27/hidden-taxes-in-the-camp-proposal/>
- 2 - S corporation income includes the two individual rates, plus the application of the new SECA taxes (70% of 15.3% below the FICA cap and 70% of 3.8% above it) to active shareholders and the existing 3.8 percent ACA tax to passive shareholders, plus the phaseouts of the standard deduction and the 10-percent bracket, plus the new 10 percentage point surtax for non-production income. The phase-out of the child credit would raise rates by 5 percentage points above \$627,500 with the phase-out range equal to \$30,000 times the number of qualifying children, but for simplicity purposes we assume no qualifying children. The rate for active shareholders of a manufacturing company includes the portion of their production income (70 percent) that is subject to the 10 percent surtax.
- 3 - C Corporation rates reflect the new 25 percent corporate rate. Corporate rate does not include dividend or capital gains taxes. This chart shows the initial layer of tax owed by a business on its earnings.