

Contact

Houston

1200 Smith Street, Suite 1400
Houston, Texas 77002-4310
Tel: 713.658.1818
Fax: 713.658.2553

Atlanta

191 Peachtree Street, N.E.,
Forty-Sixth Floor
Atlanta, Georgia 30303
Tel: 404.659.1410
Fax: 404.659.1852

Philadelphia

50 South 16th Street, Suite
1700
Philadelphia, PA 19102
Tel: 610.772.2300
Fax: 610.772.2305

San Antonio

112 East Pecan Street, Suite
1450
San Antonio, Texas 78205
Tel: 210.253.8383
Fax: 210.253.8384

Pass-Through Rules May Ease Tax Planning For Law Firms

Law 360

August 13, 2018

In an article published on August 10, 2018 by Law360, shareholder and Philadelphia federal tax practice chair Jerry August discusses IRS' proposed regulations for pass-through businesses. The new regulations exclude law and accounting firms from qualifying for the 20 percent tax deduction above a certain income threshold, prompting firms to try to devise ways to restructure their businesses to qualify for the deduction.

One strategy to lower tax rates eschews the pass-through structure altogether in favor of conversion to a C corporation. A number of law and accounting firms have been putting together quantitative analyses to test their individual, effective tax rates and determine if converting to a C corporation is beneficial. August cautioned that there are risks, costs and complexities involved with both corporate conversions and spinoff structures.

While spinning off assets, one would have to consider possible transfer tax issues and bank and loan covenants, and conversion from a partnership to a C corporation would involve looking at underlying state laws, and financing and rental agreements, August said. Subscribers may read the full article [here](#).