

## TAX REFORM – BLENDED TAX RATE FOR FISCAL YEAR CORPORATE TAXPAYERS

The Tax Cuts and Jobs Act (TCJA) 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 C corporations will file a tax return with income from both 2017 and 2018. These fiscal year corporate 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 corporate taxpayers that are subject to the highest corporate tax rate of 35% for 2017 taxable income, 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.

Please note that if a corporate taxpayer is subject to a lower corporate tax rate on its 2017 taxable income (e.g., 34%), a manual calculation is required to determine the applicable blended tax rate. Please see [Notice 2018-38](#) for an example.

Please note that blended rates do not apply to non-corporate fiscal year taxpayers.

BLENDED RATE FOR FISCAL YEAR CORPORATE 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	91.51%	8.49%	32.03%	1.78%	33.81%
February 28, 2018	306	59	83.84%	16.16%	29.34%	3.39%	32.74%
March 31, 2018	275	90	75.34%	24.66%	26.37%	5.18%	31.55%
April 30, 2018	245	120	67.12%	32.88%	23.49%	6.90%	30.40%
May 31, 2018	214	151	58.63%	41.37%	20.52%	8.69%	29.21%
June 30, 2018	184	181	50.41%	49.59%	17.64%	10.41%	28.06%
July 31, 2018	153	212	41.92%	58.08%	14.67%	12.20%	26.87%
August 31, 2018	122	243	33.42%	66.58%	11.70%	13.98%	25.68%
September 30, 2018	92	273	25.21%	74.79%	8.82%	15.71%	24.53%
October 31, 2018	61	304	16.71%	83.29%	5.85%	17.49%	23.34%
November 30, 2018	31	334	8.49%	91.51%	2.97%	19.22%	22.19%
December 31, 2018	0	365	0.00%	100.00%	0.00%	21.00%	21.00%

\*Rounded to two decimal places

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