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Tax Cuts and Jobs Act of 2017: An Overview with Research Results Indicating Further IRS Clarification Needed

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Abstract:
Since the Tax Reform Act of 1986, the Tax Cuts and Jobs Act (TCJA) of 2017 was the most comprehensive revision of the United States (US) income tax code. This article reports on analysis of and conclusions based on a survey of accounting professionals, Internal Revenue Service data and a sample of corporate reports. Some trends in data extracted from the Internal Revenue Service show that the tax burden tends to shift from corporations to individuals. At the same time, it does not appear that large US corporations are taking advantage of tax credits to promote investment. The survey results indicated tax reform itself and the inherent accounting readjustments are identified as risks in corporate decision-making. Overall, it was concluded that the IRS needs to provide further clarification of the implementation of the TCJA.

Keywords: *Tax reform, tax cuts and jobs act, accounting*

1. Introduction

The Tax Cuts and Jobs Act (TCJA) of 2017 had a significant impact on taxpayers. It introduced several changes in the tax returns of businesses and individuals. This article reports results of investigating the TCJA changes and its effects on corporate decision-making via a survey, analysis of Internal Revenue Service (IRS) data and review of a sample of corporate reports. The research results indicated that the IRS needs to provide more clarification. An objective of the TCJA was to stimulate investments, returns and salaries. Hendricks and Hanlon (2019) indicate that “businesses have not massively increased investment; in fact, growth in nonresidential fixed investment has been on a downward trend since the beginning of 2018, just after the TCJA’s passage.” Before the TCJA, interest rates had been low for 10 years, corporate profits were hitting all-time highs, and bank accounts were bulging with cash. This had not had an impact on investments. Hendricks and Hanlon (2019) said that the theory of a reduction in the corporate tax rate would have a major impact on investments was doubtful. "The simplest reason that cutting corporate taxes will not boost American productivity or wages is that the past history corporate tax cuts in the United States shows no such relationship" (Bivens & Blair, 2018).

This article provides a perspective on the idea that corporations reinvest a large percentage of their profits. “With regard to the corporate investment claim, there is no serious evidence that the TCJA spurred a notable pickup in business investment” (Bivens & Blair, 2018). Successful C-Corporation shareholders might consider taking some steps to take advantage of the new relatively low federal income tax rates on dividends and long-term capital gains. Paying corporate dividends when tax rates are still low is a potential tax saving technique. Tax credits to large corporations could generate large dividends.

Other significant changes to the TCJA are that it increased the deduction for depreciation in the first year of service for a qualified property from 50% to 100%. From an ethical point of view, this article considered how this would affect small entities and their employees. “Businesses need to consider the expected business tax rates in the future years of the property’s life” (Rinier, 2018).

To mitigate excess indebtedness, the TCJA limits interest deductions to 30% of adjusted gross income (AGI). This only applies to entities with more than $25 million in their annual income. Does this offer an opportunity for small businesses? While it is expected that the answer to this question is no, it was analyzed from various perspectives. Another issue addressed for this article was related to the elimination of the 50% deduction for entertainment or recreation expenses (IRS, 2020, September 30). Accounting systems must adjust the processes to record meal expenses and entertainment expenses separately. In previous years, both concepts allowed a 50% tax deduction and, generally were registered in the same account.

The TCJA introduced a new element in tax returns. “No deduction is allowed for any settlement or payment related to sexual harassment or sexual abuse if it is subject to a nondisclosure agreement” (IRS, 2020, April 3). The #MeToo campaign exposed widespread allegations of sexual assault and, in response, Congress added Section 162(q) to discourage employers from including a non-disclosure agreement or confidentiality clause in a sexual harassment claims settlement (Callahan, 2019). This limitation puts the employer in a position where it must choose between maintaining confidentiality or taking tax deductions.

Deductions for depreciation and other expenses are issues addressed associated with the shareholder's car. The TCJA increased the limits for taking depreciation deductions for passenger cars. "Special rules apply if you use your car 50% or less in your work or business" (IRS, 2020, October).

This article reports research results related to the possible effect of Section 965: transition tax on the tax-free foreign earnings of foreign subsidiaries of US companies considering that those earnings will be repatriated. This can have two effects. First, to stimulate the repatriation of profits and consequently, to increase investments within the US. Second, to reduce the presence, influence, and expansion of US entities abroad.

Assuming that, in general, tax cuts are handled as incentives for investment and economic growth, and then it is necessary to analyze the effective impact of these reforms in the business environment. There is not much information at this point to say whether corporate managers feel incentivized to expand the real economy. In order to address the aforementioned issues, it is necessary to have a perspective on the impact that tax reforms have had on society and what were the objectives set forth by the TCJA's defenders and its preliminary effects.

Tax professionals have understood and debated the changes in the tax law for decades. As of November 2020, it remained a challenge for certified public accountants to get these new and updated TCJA provisions correctly interpreted and implemented. "While past years' changes have often been piecemeal and incremental, those now facing taxpayers and preparers are nothing short of seismic" (Bonner, 2019). In 2020, the IRS was still issuing interpretation and implementation guidelines. "The Internal Revenue Service issued final regulations on the business expense deduction for meals and entertainment following changes made by the Tax Cuts and Jobs Act (TCJA)" (2020, September 30).

Some of the most important changes to the TCJA tax law were the following: Almost double the standard deduction and suspension of personal and dependent exemptions. This change means that fewer taxpayers were and still are be able to claim the itemized deductions. Bonner, (2019) reports that "90% of taxpayers will take the new standard deduction amount" and the increased tax credits for children. The TCJA doubles "the amount of the Child Tax Credit from $1,000 to $2,000 per qualifying child" (Frankel, 2018) and increases the refundable portion.

Section 199A "allows a deduction of up to 20% of taxable income" (IRS, 2020, November 24) for most non-corporate business income for the Qualified Business Income Deduction (QBI). It does not apply to trades or businesses whose primary asset is the reputation or ability of one or more of their owners or employees; or a trade or business that involves the provision of investment services and investment management, trade or negotiation of securities, interests of companies or basic products. Section 951A requires a US 10% "shareholder of a controlled foreign corporation (CFC) to include in current income the shareholder's interest in CFC's [Global Low Tax Intangible Income] GILTI" (Pudenz, Sites, & Camacho, 2019). While multinational corporations applauded the possibility of foreign tax reform, the effect of certain provisions was not fully known until their implementation. "GILTI has arguably made the US tax system more global than it was before Congress passed the TCJA" (Pudenz, Sites, & Camacho, 2019). Consequently, US taxpayers must structure and control their activities abroad carefully or they risk being penalized. These topics changed the perspective of taxpayers and tax preparers. They have an impact on estate planning, overall structures, accounting, and capital transfer costs.

Advocates of tax reform claimed that tax cuts would inevitably lead to economic growth. The TCJA supporters were of the view that corporations would use the additional cash flows from tax credits to increase investment projects in the real economy. It was expected that "$1.5 trillion of tax cuts would result in significant economic benefits" (Cohen & Viswanathan, 2020). It would have a positive impact on the gross domestic product, investments within the US would increase and more jobs with better salaries would be generated.

Hendricks and Hanlon (2019) reported that corporate taxes collected by the IRS have decreased from their projected level by approximately 25%, despite corporate earnings before taxes continuing to rise to record highs. This is an indication that the TCJA reduced the tax burden on corporations to much higher levels than expected. According to the Congressional Budget Office (Hendricks & Hanlon, 2019), the corporate tax projections for the years 2018 and 2019 were around $519 billion. Actual tax revenue for the same period was $435 billion.

For the analysis of the effects of the TCJA, it is not prudent to take data from 2020 due to the negative effects on the economy due to the COVID-19 pandemic that may distort the results of the investigation. The impact of the global health crisis affected the profitability of corporations, taxes, and corporate and government decisions. However, corporate decisions in the periods of 2017, 2018 and 2019 are measurable for the purposes of this article.

The Financial Accounting Standards Board (FASB) updated the Accounting Standards Codification (ASC) Topic 740 to address the disclosure requirements for the recognition of current taxes payable and refundable. The standard established regulations for deferred taxes, taking into account the impact of situations recognized in the financial statements and tax provisions. "Specifically, companies are required to record the effect of changes in tax law as a component of the tax provision in income from continuing operations in the period of enactment" (Honaker & Thomas, 2019). The regulations gave companies 60 days to re-evaluate their tax position. This allowed them to analyze the impact of the TCJA and gather the information required to implement the new regulations.

Given the magnitude and complexity of the tax law changes, companies were and are required to collect information that they did not store in a systematic way before. Both Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) required new calculations and estimates to adjust for deferred taxes and provisions. Several accounting implications are mentioned that can become complex for companies that use GAAP for the parent company and IFRS for foreign branches.

A study conducted on a sample of 75 companies showed that "overall, the highest reported profit by a sample company due to the new law is $28.2 billion, and the highest reported expense is $22.6 billion" (Honaker & Thomas, 2019). Honaker & Thomas (2019) took into account that the negative or positive impact depends in part on the net asset or liability position of the companies with respect to deferred taxes. Some companies disclosed the impact of the TCJA in their

annual reports and others did not provide full details on the effect of the law. Either way, Honaker & Thomas (2019) hypothesized that companies with a favorable overall impact felt less pressure to disclose specific details of the TCJA.
The most significant impact on the tax position of companies is the reduction of the corporate tax rate by 40%. This had a direct effect on deferred taxes, and the tax credits were recognized as earnings in the financial statements. After Congress passed the TCJA law, the IRS issued guidelines very slowly. While the guidance received left gaps, it also became more difficult to collect the necessary information. Faced with these situations of uncertainty and doubts, accountants shared options with clients. The clients had to make the final decisions. At the same time, a professional had to document the decisions made by clients.

For this, accounting must re-evaluate certain key aspects. Creech, C., Maloy, H., Murillo, J., Pierson, T., and Wlodychak, S. (2020, January 1) addressed the following five issues that could make an impact in corporate decision-making:

- Tax compliance: A company should ask itself to develop a plan that allows adjusting the estimation processes of the tax position and assessment of the need for investments in technology and personnel.
- Tax controversy: The new tax law could generate errors of interpretation. It is important to document tax positions thoroughly.
- International Tax: Based on international tax provisions and how they interact with other long-standing IRS provisions, companies have had to review their structures and the tax implications of the new law. One question asks which internal or external transactions have an effect on the transition tax and how acquisitions and mergers influence the current environment.
- Executive Compensation: This topic corresponds to one of the survey questions for this article. One of the questions raised is that the application of the limitation in the deduction of executive compensation that can be a challenge for payments between related companies. The companies will have to modify the policies and benefit programs to adjust them to the new law.
- State Tax: Most states are known to use specific provisions of the federal AGI or code for determining state tax obligations. However, few states have moved accordingly with the TCJA provisions. Therefore, all questions revolve around the effects of federal provisions on state jurisdiction.

The Securities and Exchange Commission (SEC) issued standard Staff Accounting Bulletin (SAB) 118, which offered guidance to public companies in three possible scenarios: the measurement of the effects on income tax is determined; the measurement of income tax effects can be reasonably estimated; the measurement of the effects on income tax cannot be reasonably estimated. In relation to the reduction of the tax rate, the deferred taxes must be readjusted in accordance with the effects derived from the law. These readjustments would affect elements of profit or loss, other comprehensive income and directly on equity. Liabilities related to taxes on repatriation considered mandatory could be classified as current or non-current according to the company's payment projections. On the other hand, recording deferred taxes may be appropriate if the company estimates that it will be subject to GILTI on an ongoing basis or recording the expense in the period in which the company was subject to such tax.

The volume of the TCJA changes has created numerous compliance challenges for corporations and individuals. The preparation of tax returns with international tax requirements implies the use of new data sources. Filing requirements have been increased from prior periods, and compliance and disclosure challenges can create unethical trends. Corporations with branches abroad should address the implications of accounting methods and the diversity of accounting standards. At the same time, the estimates required to recalculate the fiscal position of corporations could create new challenges and bias on corporate decision-making. “Now, more than ever, it is important for companies to thoroughly document tax return positions, particularly in areas where interpretation of the law is still evolving” (Creech, Maloy, Murillo, Pierson, & Wlodychak, 2020).

2. Research Results

The research questions posed for this article provide insight into the impact the TCJA is having on 10 randomly selected major companies. If the effects of the TCJA were positive for the financial situation of these companies, it indicates a need to know how they are managing tax credits and tax provisions. Tax provisions estimates were taken into account due to their effect on the fiscal position of the company. According to Deloitte (2018, September 10), SAB 118 requires entities to disclose “information about the material financial reporting impacts of the [Tax Cuts and Jobs] Act for which the accounting is incomplete.” One of the research questions used for this article sought information on the new compensation policy of these companies, taking into account the limitations in deductions from senior executive compensation. “It is important to determine the impact on tax expense or benefit, whether errors are material or immaterial, adjustments to finalize provisional amounts and required disclosures” (Deloitte, 2018, September 28).

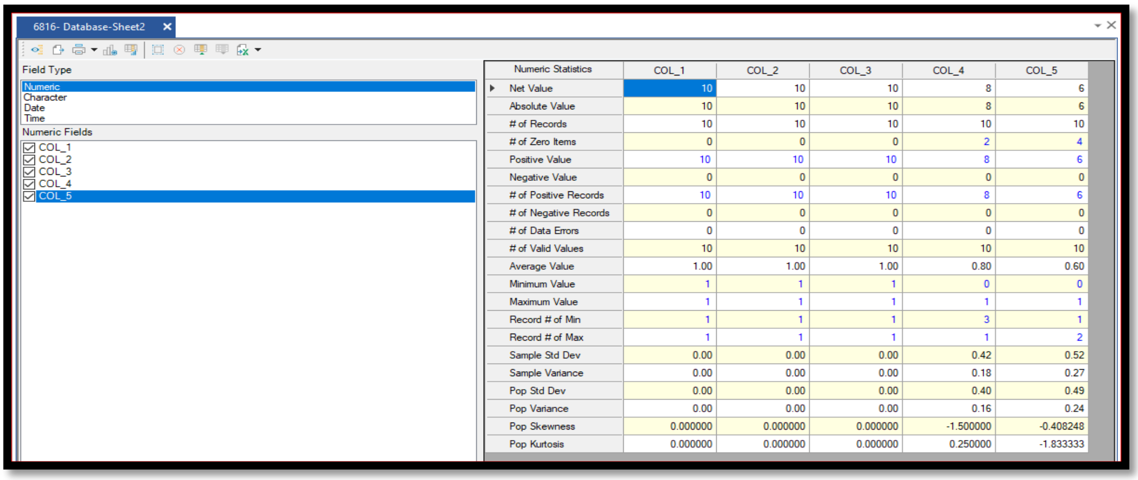
Questions	1	2	3	4	5
Corporations					
Amazon.com Inc	1	1	1	1	0
Nike Inc	1	1	1	1	1
Walmart Inc	1	1	1	0	0
Coca Cola Company	1	1	1	1	1
Home Depot Inc	1	1	1	0	0
Microsoft Corporation	1	1	1	1	1
Dell Technologies	1	1	1	1	1
General Motor	1	1	1	1	1
Apple Inc	1	1	1	1	1
Tesla Inc	1	1	1	1	0

Table 1: The TCJA Impact in 10 Large US Companies Decision-Making.
Note: The Table Shows The Answers to Questions Related to the TCJA. Disclosures in the Annual Reports of 10 Major US Companies Randomly Selected to Answer the Questions.
1 = Yes and 0 =No
Question 1: Is the Tax Cuts and Jobs Act (Tcja) of 2017 Mentioned in Most Recent Annual Report?
Question 2: Are Estimates and Judgment Used in Implementing the Tcja?
Question 3: Does the Tcja Have an Impact on Executive Compensation Deduction as Mentioned in the Proxy Statement?
Question 4: Was the Effective Tax Rate below 21% Used for 2019?
Question 5: Was the Net Deferred Tax Asset Position (Deferred Tax Assets- Deferred Tax Liability) below Zero for 2019?

The IDEA software was used to display the statistics for this sample.

Question number 1 showed that 100% mentioned the TCJA in their disclosures. The most mentioned element about the TCJA was the reduction of the corporate tax rate from 35% to 21%.

Question number two comments revealed that 100% of the corporations revealed the effect of the TCJA on accounting estimates and valuations.



Numeric Statistics	COL_1	COL_2	COL_3	COL_4	COL_5
Net Value	10	10	10	8	6
Absolute Value	10	10	10	8	6
# of Records	10	10	10	10	10
# of Zero Items	0	0	0	2	4
Positive Value	10	10	10	8	6
Negative Value	0	0	0	0	0
# of Positive Records	10	10	10	8	6
# of Negative Records	0	0	0	0	0
# of Data Errors	0	0	0	0	0
# of Valid Values	10	10	10	10	10
Average Value	1.00	1.00	1.00	0.80	0.60
Minimum Value	1	1	1	0	0
Maximum Value	1	1	1	1	1
Record # of Min	1	1	1	3	1
Record # of Max	1	1	1	1	2
Sample Std Dev	0.00	0.00	0.00	0.42	0.52
Sample Variance	0.00	0.00	0.00	0.18	0.27
Pop Std Dev	0.00	0.00	0.00	0.40	0.49
Pop Variance	0.00	0.00	0.00	0.16	0.24
Pop Skewness	0.000000	0.000000	0.000000	-1.500000	-0.408248
Pop Kurtosis	0.000000	0.000000	0.000000	0.250000	-1.833333

Figure 1: IDEA Statistics View

The third question revealed that all entities in the sample mentioned the impact of limitations on the deduction of compensation for senior executives. “As a result, of 2017 tax law changes, we expect that equity awards granted or other compensation provided under arrangements entered into or materially modified on or after November 2, 2017 generally will not be deductible to the extent, they result in taxable compensation to a named executive officer that exceeds $ 1 million in any one year” (Amazon.com Inc, 2020). However, Amazon did not mention whether this could change its compensation policy. Before the TCJA, corporations could deduct 100% of senior executive compensation. “We have not adopted a policy that all compensation must qualify as deductible for tax purposes and retain the ability to provide compensation that may not qualify as deductible under Section 162 (m)” (Nike, Inc, 2020).

The positive responses to question number four correspond to those entities whose effective tax rate was lower than the federal statutory tax rate of 21%. The 80% of the entities in the sample paid taxes at a rate lower than 21%. These entities may have benefited from both the tax rate reduction and other tax credits. “Our effective tax rate for fiscal years 2019 and 2018 was 10% and 55%, respectively. The decrease in our effective tax rate for fiscal year 2019 compared to fiscal year 2018 was primarily due to the net charge related to the enactment of the TCJA in the second quarter of fiscal year 2018 and a $2.6 billion net income tax benefit in the fourth quarter of fiscal year 2019 related to intangible property transfers” (Microsoft Corporation, 2020).

The last question asked whether the entities in the sample presented a negative deferred net asset position. The research showed that 40% of the sample was in this position. Therefore, these companies estimated a fiscal position in which the temporary differences increased taxable income in a greater proportion in which the temporary differences reduced taxable income.

2.1. IRS Databases Analysis

The following analysis was performed on a database of gross tax collection in US. This public database was obtained from IRS Data Book (IRS, 2020, October 22). The spreadsheet includes the nationwide tax collection by type of tax during a period of 60 years of 1961 through 2019. See below the codes to the following:

Table: Excel Database
Name: Gross Collections
Fields:
YEAR: Fiscal year
TOTAL_COLLECTIONS: The total amount collected of all types of taxes
INCOME_TAX_COLLEC: Total amount of income tax collected.
BUSINESS: Total amount of income tax collected from business
INDIVIDUAL: Total amount of income tax collected from individuals
ESTATE_TRUST: Total amount of estate and trust tax collected
EMPLOYMENT: Total amount of employment tax collected
ESTATE_TAX: Total amount of estate tax collected
GIFT_TAX: Total amount of gift tax collected
EXCISE TAXES: Total amount of excise tax collected from business

An "Append" command was performed to create two additional fields: PERCENTAGE_BUSINESS: Shows the percentage of business income tax from total income tax collected and PERCENTAGE_INDIVIDUAL: percentage of individual income tax from total income tax collected.

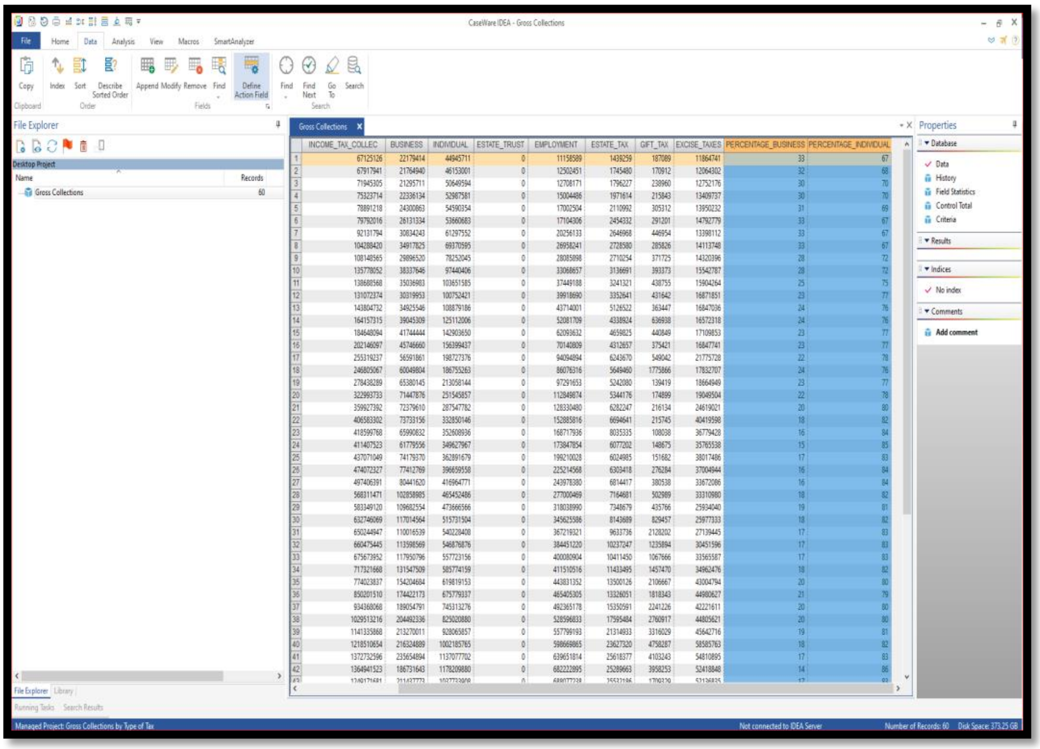


Figure 2: Output 1. Nationwide Gross Tax Collections by Type of Taxes (1961-2019) Percentage by Type of Taxes Added

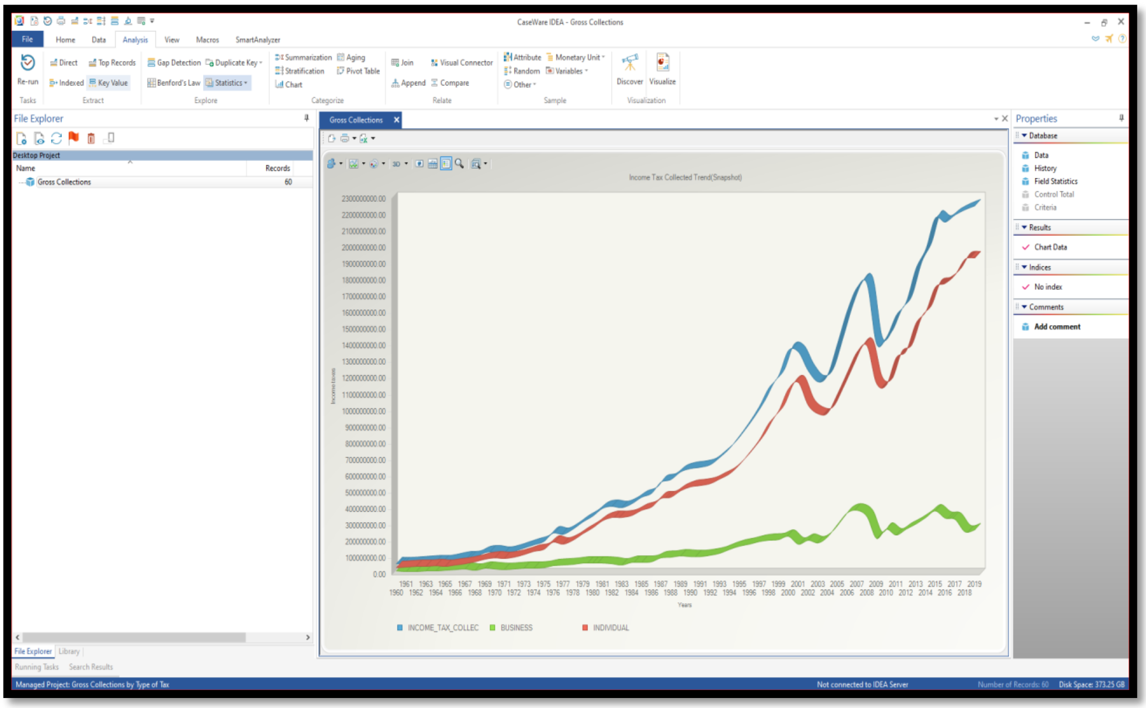


Figure 3: Outputs 2. Nationwide Gross Tax Collections by Type of Taxes (1961-2019)
Income Tax Collected Trend

The graph shows that there was a marked trend towards a growth in the tax burden of individuals while the tax burden of corporations decreased. A preliminary analysis of this graph shows that the TCJA's tax credits benefit businesses largely. However, S corporations and partnerships do not pay taxes directly, but income from these entities are passed-through individual tax returns. Therefore, individuals assume the tax burden of these entity types.

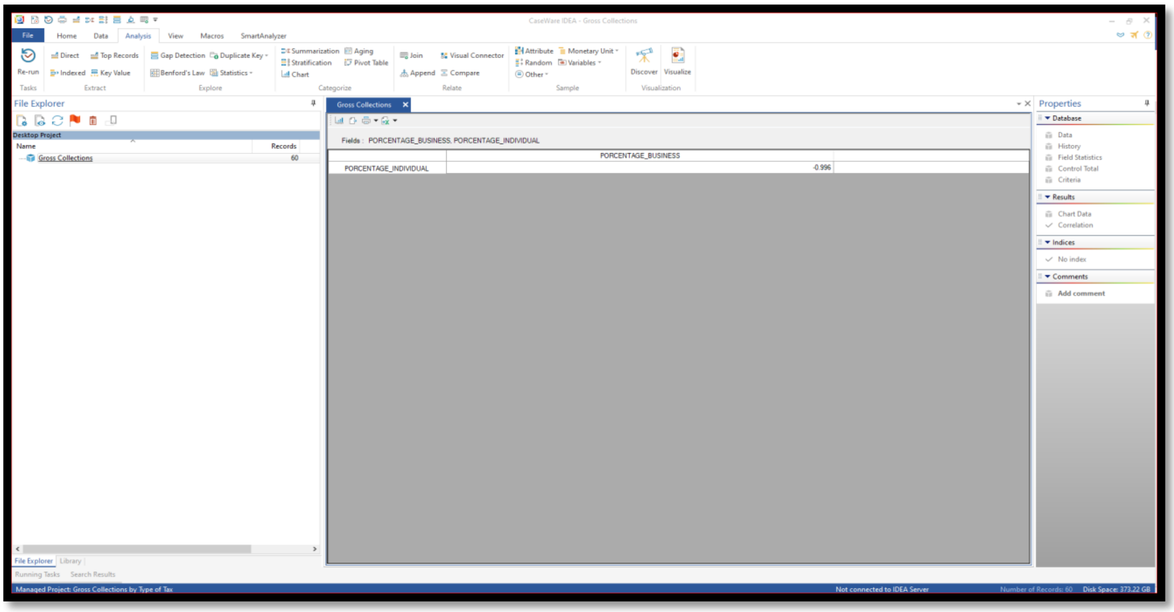
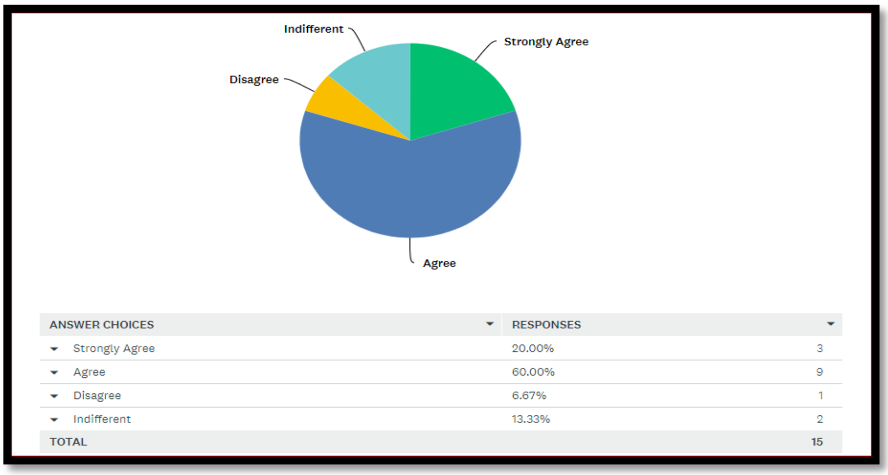


Figure 4: Output 3. Nationwide Gross Tax Collections by Type of Taxes (1961-2019)
Correlation between Percentage of Business Taxes and Percentage of Individual Taxes

The analysis of the correlation between taxes collected from businesses and taxes collected from individuals shows a value of -0.996 which means that there is an almost perfect negative correlation between both parameters. As the proportion of corporate taxes decrease, the proportion of individual taxes increase.

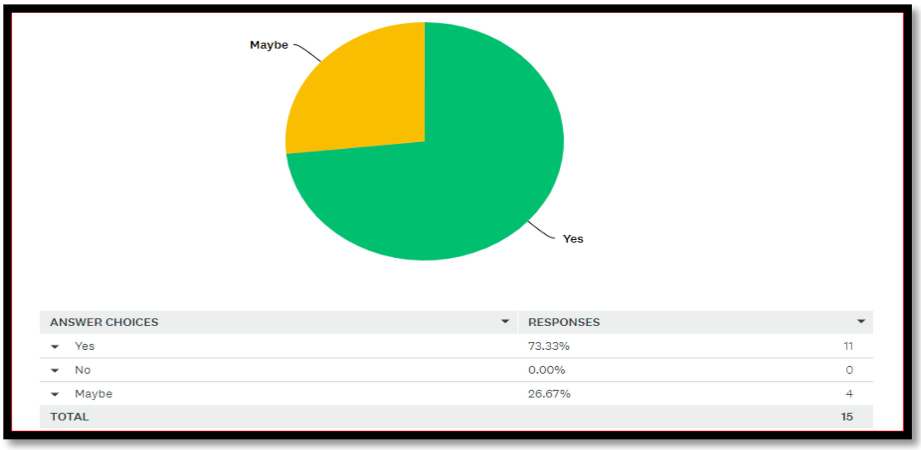
3. Results of Survey

The following survey collected points of view about the TCJA of 2017 issues influencing ethical corporate decision-making in 2020 and beyond. The survey was conducted with various accounting professionals to gain their perspectives on specific topics that were subject to change under the TCJA. The sample for analysis offers an overview of the opinions of accounting professionals who file tax returns.



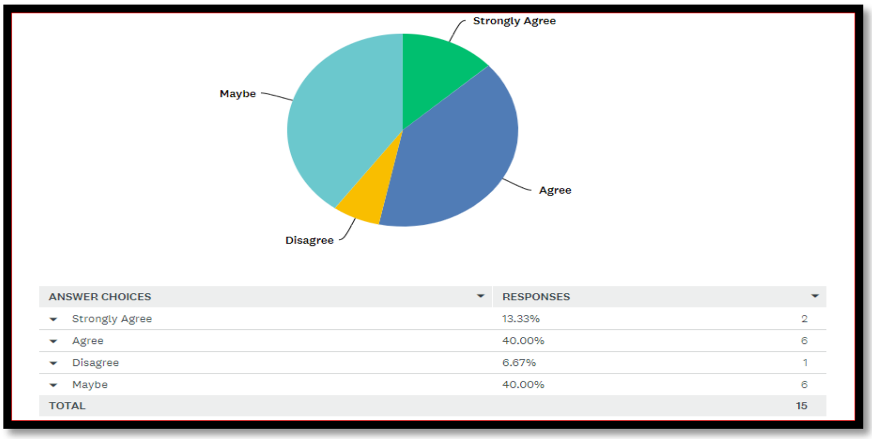
ANSWER CHOICES	RESPONSES	
Strongly Agree	20.00%	3
Agree	60.00%	9
Disagree	6.67%	1
Indifferent	13.33%	2
TOTAL		15

Figure 5: Output from Surveymonkey.Com. Answers for Question 1. The Tax Cuts and Jobs Act (TCJA) Made Significant Changes to the Corporate Income Tax and Taxes on Pass-Through Businesses. Do You Agree That The TCJA Corporate Tax Cut Was, Is and Will Continue to Be Beneficial And Ethical Relative to the United States Economy?



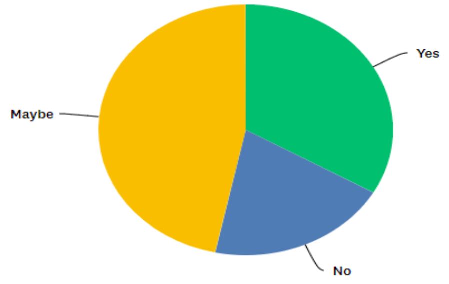
ANSWER CHOICES	RESPONSES	
Yes	73.33%	11
No	0.00%	0
Maybe	26.67%	4
TOTAL		15

Figure 6: Output from Surveymonkey.Com. Answers for Question 2. The Corporate Tax Rate Has Been Simplified to a Flat Corporate Tax Rate of 21%, Do You Consider It to Have Led to and Will Continue to Lead to More Investments by Corporations?



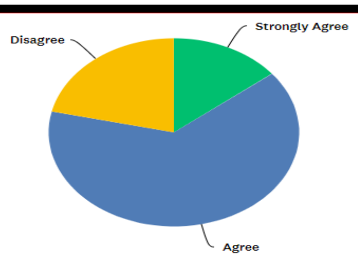
ANSWER CHOICES	RESPONSES	
Strongly Agree	13.33%	2
Agree	40.00%	6
Disagree	6.67%	1
Maybe	40.00%	6
TOTAL		15

Figure 7: Output from Surveymonkey.Com. Answers for Question 3. Do You Consider That Corporations Have and Will Continue to Use the TCJA Tax Credits to Increase Dividends to Their Shareholders?



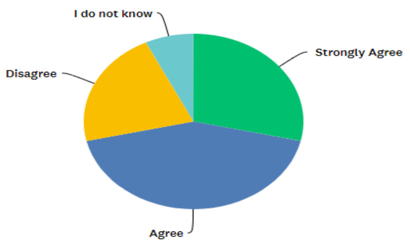
ANSWER CHOICES	RESPONSES	
Yes	33.33%	5
No	20.00%	3
Maybe	46.67%	7
TOTAL		15

Figure 8: Output from Surveymonkey.Com. Answers for Question 4. TCJA Placed an Effective Cap on the Amount a Company Can Deduct for Executive Compensation at $1 Million-Dollars for a Company's CEO, CFO, and the Other Three Most Highly Paid Executives. Do You Think This Change Did and Can Continue to Create Bias in and Possible Negative Ethical Impact on the Part of Corporate Decisions of Executives?



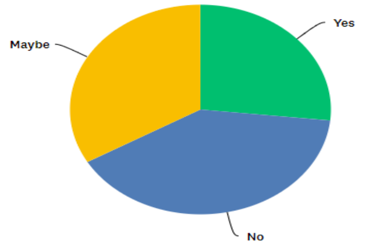
ANSWER CHOICES	RESPONSES	
Strongly Agree	14.29%	2
Agree	64.29%	9
Disagree	21.43%	3
TOTAL		14

Figure 9: Output from SurveyMonkey.com. Answers for Question 5. The TCJA increased the additional first-year depreciation deduction from 50% to 100% for qualified property acquired and placed in service after Sept. 27, 2017, and before Jan. 1, 2023 (or before Jan. 1, 2024, for longer-production-period property). Do you feel that some corporations could go into dangerous debt by increasing capital costs from cash flows created by tax benefits?



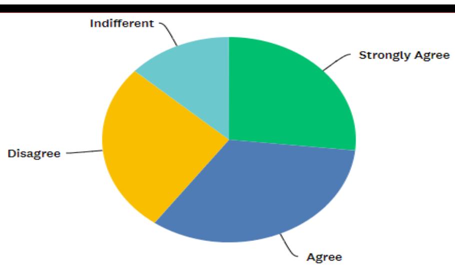
ANSWER CHOICES	RESPONSES	
Strongly Agree	28.57%	4
Agree	42.86%	6
Disagree	21.43%	3
I do not know	7.14%	1
TOTAL		14

Figure 10: Output from Surveymonkey.Com. Answers for Question 6. To Limit the Impact of Borrowing to Maximize Deductions under the Liberalized Section 179 and Bonus Depreciation Rules, The Act Limits the Deduction of Interest Expense to 30% of a Taxpayer's "Adjusted Taxable Income". However, Small Businesses Are Exempting. Do You Agree That This Enhances the Growth of Small Businesses?



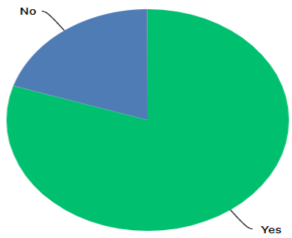
ANSWER CHOICES	RESPONSES	
Yes	26.67%	4
No	40.00%	6
Maybe	33.33%	5
TOTAL		15

Figure 11: Output from SurveyMonkey.com. Answers for Question 7. The TCJA generally eliminated the deduction for any expenses related to activities considered entertainment, amusement or recreation. However, under the new law, taxpayers can continue to deduct 50% of the cost of business meals if the taxpayer (or an employee of the taxpayer) is present and the food or beverages are not considered lavish or extravagant. Do you consider that taxpayers generally separate receipts to differentiate entertainment expenses from meal expenses?



ANSWER CHOICES	RESPONSES	
Strongly Agree	26.67%	4
Agree	33.33%	5
Disagree	26.67%	4
Indifferent	13.33%	2
TOTAL		15

Figure 12: Output From Surveymonkey.Com. Answers To Question 8. For Amounts Paid Or Incurred After December 22, 2017, New Section 162(Q) Provides That No Deduction Is Allowed Under Section 162 For Any Settlement Or Payment Related To Sexual Harassment Or Sexual Abuse If It Is Subject To A Nondisclosure Agreement. Do You Agree With This Inclusion?



ANSWER CHOICES	RESPONSES	
Yes	80.00%	12
No	20.00%	3
I do not know	0.00%	0
TOTAL		15

Figure 13: Output from SurveyMonkey.com. Answers for Question 9. TCJA increased depreciation limits for passenger vehicles. Some small corporation shareholders contribute their personal cars to the company, which allows them to take deductions for depreciation and reduce their tax burdens. Do you think this is legal and ethical?

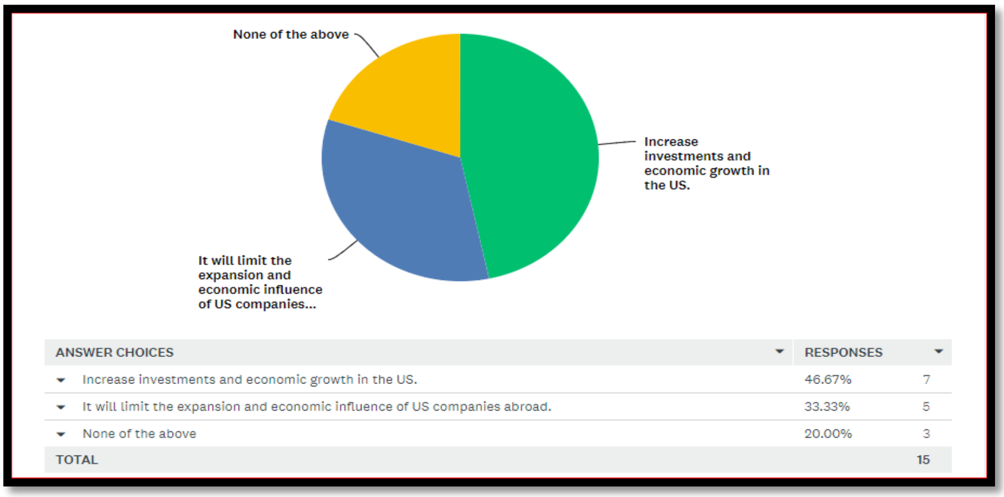


Figure 14: Output from Surveymonkey.Com. Answers for Question 10. Section 965 Imposes a Transition Tax on Untaxed Foreign Earnings of Foreign Subsidiaries of US Companies by Deeming Those Earnings to Be Repatriated. Early Data Indicates a Significant Uptick in Repatriation Since Enactment of the TCJA. Of the Following Do You Believe That The Repatriation Of Profits From Subsidiaries Abroad Will:

The 80% of respondents agree that the TCJA is beneficial to the economy and that corporate tax cuts are ethically correct. A 13.33% percent were indifferent and only 6.67% did not agree.

In the second question, somehow the respondents were consistent with the first question. The 73.33% considered that investments will grow due to the reduction of the corporate tax rate. Question 3 indicated that 53.33% agreed that shareholders will increase their dividends from tax credits. Another 40% believed that it is possible that they will and only 6.67% considered that they will not. This result means that although the reform seeks to have a positive impact on investments and economic growth, nothing prevents the cash flows generated from sweetening the pockets of shareholders or having a direct impact on the accumulation of capital in the stock market.

The 33.33% of accountants believed that the TCJA can generate situations that lead to unethical corporate decisions and 46.67% leave this possibility open. The rest considered that there will be no negative ethical situations.

The majority (64.29%) believed that corporations are at risk of dangerous debt due to increased deductions for depreciation. Although the law places restrictions on interest deductions, this only applies to large corporations. Therefore, small corporations would be at risk of future capital costs exceeding cash flows from investments. However, 71.43% considered that the TCJA would help small businesses grow and 28.57% affirm it strongly. Only 21.43% did not agree and 7.14% did not know if it would have any effect.

In Question #7 about limitations on deduction of entertainment expenses, 40% believed that executives generally do not separate receipts for meal expenses and entertainment expenses. As for whether the expenses related to legal disputes about sexual harassment should be deductible, the answers were diverse. The 60% supported it, 26.67% disapproved it and 13.33% were indifferent.

The answers on whether the legal and ethical contribute to personal use cars in corporations to take deductions for depreciation showed that 80% considered it legal and ethical, the rest did not agree. Perhaps the question should have focused only on the ethical aspect. Doing this type of maneuver is legal.

The last question offered an opinion on whether the changes related to foreign entity taxes would have an impact on corporate structures. The 46.67% thought that the TCJA leads to the repatriation of profits as investments within the US and 33.33% considered that the influence of US companies in foreign markets will be reduced. The rest did not assume that there would be an impact.

3. Conclusions

The fiscal policy of a country is a complex issue with many economic, social and political aspects. From the economic point of view, some studies referred in this article, affirm that the expected effects were not realized until at least 2019. The effect of the pandemic would obviously create bias in the analysis. Two years of study may not be a significant sample to evaluate the effect of the TCJA. From an ethical point of view, it has not been possible to prove that the majority of society has benefited from the reform at the same time that analysts confirm that the beneficiaries are the shareholders.

Analysis performed to IRS databases on taxes collected indicate that the tax burden on corporations has tended to decline in the past 60 years (i.e., 1961-2019). Additionally, some analysts have concluded that there is no direct correlation between tax cuts and investments. "The simplest reason that cutting corporate taxes will not boost American productivity or wages is that the past history corporate tax cuts in the United States shows no such relationship" (Bivens & Blair, 2018).

The survey yielded interesting results from the point of view of accounting professionals. Although opinions largely support that the TCJA is beneficial to the economy, at the same time some opinions indicated that this effect is not guaranteed. Therefore, the executives of the corporations that have benefited from the reform were and are not legally obliged to reinvest the tax credits in the real economy. In this sense, the ethical principle of "public interest" that AICPA members must assume could be subordinated to the individual interests of shareholders and creditors.

4. Questions to Research Further

Based on preliminary studies and experiences gained during completing the research for this article, the following questions arose: Did the TCJA meet its goals? Did the immensity and complexity of accounting and tax regulations create ambiguities that lead to ethical failures in corporate decisions? "With the enactment of the TCJA, tax compliance has become more complicated and sophisticated. There have since been numerous drafting errors uncovered and IRS regulations issued that expand upon, and plug holes in, the law as written", stated Brunell (2019). It is an important topic to ponder.

If the goal is to promote growth and employment, why are tax cuts not conditional on certain rates of investment growth? Other studies concluded that after-tax net earnings growth leads to the concentration of capital and investment in stocks. This trend does not benefit job creation and better wages; rather, it acts like a boomerang. At this point, another question arose: is there an inherent contradiction between ethics and individual economic goals? Corporate decisions are influenced by various factors, external and internal. Therefore, it is also worth asking what level of priority executives give to tax matters when making corporate decisions. In summary, this research topic had many paths and each one deserves a more in-depth analysis.

Desai (2018) stated, "these changes improve corporate investment incentives in the United States, but they vary by investment type and economic sector of the economy—contradicting the simple view that a rate reduction greatly helps investment." For example, a policy to stimulate job creation might be to lower the tax rate relative to employee growth without reducing productivity rates. Those companies whose income comes mostly from passive investments may have higher tax rates.

5. Summary

In the search for aspects of the TCJA that could influence corporate decision-making, the following investigative activities were carried out:

- Databases published by the IRS were used.
- Databases made up using information extracted from the annual reports of a sample of 10 large US companies were used.
- A survey was conducted with 15 accounting professionals to obtain their opinions on specific TCJA topics such as the reduction of the corporate tax rate, the increase in deductions for depreciation and the limitations on deductions for senior executive compensation, among others themes.
- The overall conclusion based on the research is that the IRS needs to provide more clarification regarding the implementation of the TCJA.

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