

After tax reform, many corporations will pay blended tax rate

IRS Tax Reform Tax Tip 2018-173

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Last year's [tax reform legislation](#) replaced the graduated corporate tax structure with a flat 21 percent corporate tax rate. This new maximum tax rate for corporations is effective for tax years beginning after Dec. 31, 2017.

A corporation with a fiscal year that includes Jan. 1, 2018, will pay federal income tax using what is called a blended tax rate. They will not use the flat 21 percent tax rate for their entire fiscal year. To calculate their blended tax rate, these corporations will:

- First calculate their tax for the entire taxable year using the tax rates that were in effect prior to the Tax Cuts and Jobs Act.
- Then calculate their tax using the new 21 percent rate.
- Proportion each tax amount based on the number of days in the taxable year when the different rates were in effect.
- Take the sum of these two amounts, which is the corporation's federal income tax for the fiscal year.

The blended rate applies to all fiscal year corporations whose fiscal year includes Jan. 1, 2018. Fiscal year corporations that have already filed their federal income tax returns that do not reflect the blended rate may want to consider filing an amended return.

This change will affect many tax forms and instructions that corporations use. For a complete list, see the [2017 Fiscal Tax Year Filers Must Use Blended Corporate Tax Rates](#) page on IRS.gov.

More information:

[Notice 2018-38](#)

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