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Paused Update

CORPORATE AND PERSONAL TAX RATES

As we discussed in our chapter introduction, after the passage of the Tax Cuts and Jobs Act of 2017, the federal corporate tax rate in the United States became a flat 21 percent. However, tax rates on other forms of business such as proprietorships, partnerships, and LLCs did not become flat. To illustrate some important points about taxes for such entities, we take a look at personal tax rates in [Table 2.3](#). As shown, in 2018, there are seven tax brackets, ranging from 10 percent to a high of 37 percent, down from 39.6 percent in 2017.

Table 2.3 Personal Tax Rates for 2018 (Unmarried Individuals)

Taxable Income	Tax Rate
\$ 0 - 9,525	10%
9,525 - 38,700	12
38,700 - 82,500	22
82,500 - 157,500	24
157,500 - 200,000	32
200,000 - 500,000	35
500,000 +	37

3. **Market Values and Book Values** Klingon Cruisers, Inc., purchased new cloaking machinery three years ago for \$9.6 million. The machinery can be sold to the Romulans today for \$6.4 million. Klingon's current balance sheet shows net fixed assets of \$4.9 million, current liabilities of \$2.2 million, and net working capital of \$850,000. If all the current accounts were liquidated today, the company would receive \$2.7 million cash. What is the book value of Klingon's assets today? What is the sum of NWC and market value of fixed assets?
4. **Calculating Taxes** Terri Simmons is single and had \$189,000 in taxable income. Using the rates from Table 2.3 in the chapter, calculate her income taxes. What is the average tax rate? What is the marginal tax rate?
5. **Calculating OCF** Sheaves, Inc., has sales of \$22,400, costs of \$11,600, depreciation expense of \$2,200, and interest expense of \$1,370. If the tax rate is 22 percent, what is the operating cash flow, or OCF?
6. **Calculating Net Capital Spending** Earnhardt Driving School's 2018 balance sheet showed net fixed assets of \$1.28 million, and the 2019 balance sheet showed net fixed assets of \$1.43 million. The company's 2019 income statement showed a depreciation expense of \$146,000. What was the company's net capital spending for 2019?
7. **Building a Balance Sheet** The following table presents the long-term liabilities and stockholders' equity of Information Control Corp. from one year ago:

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Long-term debt	\$ 45,000,000
Preferred stock	2,900,000
Common stock (\$1 par value)	11,000,000
Accumulated retained earnings	107,000,000