

December 4, 2013

Tax Planning Issues for Businesses

Many of the provisions associated with the American Taxpayer Relief Act of 2012 (ATRA) became effective in 2013, which means they will have an impact on this year's tax return.

Health Care Reform

Despite last-minute postponements in the effective date of some provisions of the Affordable Care Act (ACA), it's important to determine now what impact this law will have on your business.

Employers should also be aware that a number of other provisions will go into effect as originally scheduled, such as the 90-day limit on the period before a new hire can become eligible for employer-provided health coverage.

New Tax Laws in Effect

- The ATRA extended small business expensing under Section 179 up to \$500,000 through 2013, as well as the availability of first-year "bonus" depreciation, which helps lower the after-tax costs of new business property.
- Flow-through entities have been very popular in recent years, but the higher tax rate and new 3.8% net investment income tax could significantly erode their tax benefits. You may want to evaluate the form of entity that suits your business needs and tax situation.
- If you plan to take the home office deduction, you should know that there is a new optional safe-harbor method that allows taxpayers to deduct \$5 per square foot of home office space (up to 300 square feet). While this is a "simplified" method, it is not the best option for all taxpayers. Also beware that home office deductions continue to be an area of interest for the IRS.

Other Key Considerations

- There are a number of tax-advantaged retirement options available. We will work with you and your third party administrator to determine the choice that makes the most sense for you and your company.
- New businesses are allowed to deduct up to \$5,000 in start-up costs on their initial return, and any remaining portion in future years. Up to \$5,000 in organizational costs such as filing and legal fees can also be deducted. You may be eligible to include a wide range of expenses in either of these categories.
- If your business provides services, sells products or otherwise has a presence in more than one state, it may be subject to tax withholding, filing and payment requirements in many of those states. Companies who issue 1099s should remember that PA now requires a copy of the 1099s.