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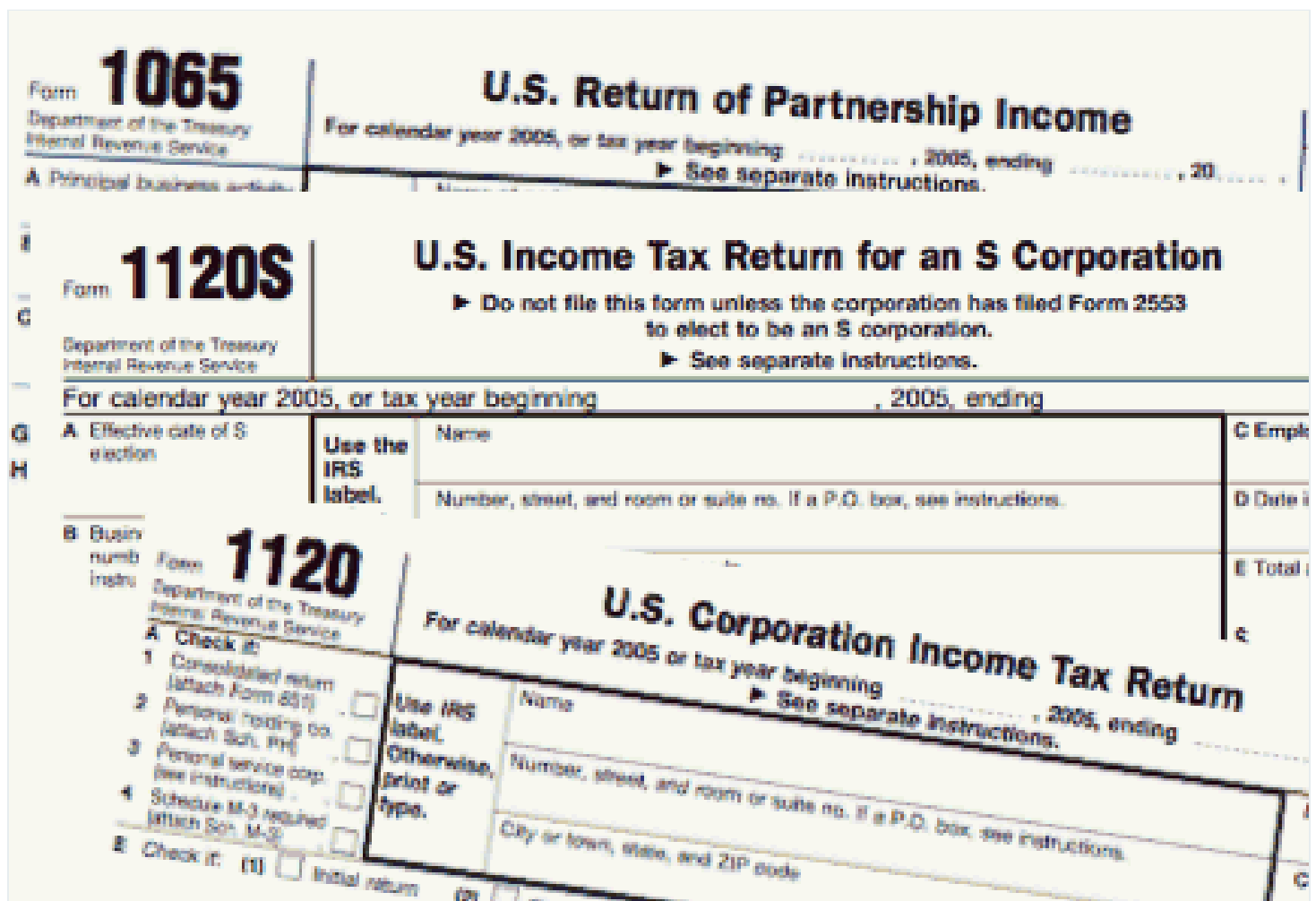
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PRODUCT & SERVICE GUIDE

The Biggest Tax Law Changes for Small Business Owners

With just a few months left in the year, the IRS is highlighting important information for small businesses and self-employed individuals to help them understand and meet their tax obligations.

Oct. 17, 2018



The Internal Revenue Service is reminding business owners that tax reform legislation passed last December affects nearly every business.

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Here are several changes that could affect the bottom line of many small businesses:

Qualified Business Income Deduction

Many owners of sole proprietorships, partnerships, trusts and S corporations may deduct 20 percent of their qualified business income. The new deduction — referred to as the Section 199A deduction or the qualified business income deduction — is available for tax years beginning after Dec. 31, 2017. Eligible taxpayers can claim it for the first time on the 2018 federal income tax return they file next year.

A [set of FAQs](#) provides more information on the deduction, income and other limitations.

Temporary 100 percent expensing for certain business assets

Businesses are now able to write off most depreciable business assets in the year the business places them in service. The 100-percent depreciation deduction generally applies to depreciable business assets with a recovery period of 20 years or less and certain other property. Machinery, equipment, computers, appliances and furniture generally qualify.

Taxpayers can find more information in the [proposed regulations](#).

Fringe Benefits

- **Entertainment and meals:** The new law eliminates the deduction for expenses related to entertainment, amusement or recreation. However, taxpayers can continue to deduct 50 percent of the cost of business meals if the taxpayer or an employee of the taxpayer is present and other conditions are met. The meals may be provided to a current or potential business customer, client, consultant or similar business contact.
- **Qualified transportation:** The new law disallows deductions for expenses associated with transportation fringe benefits or expenses incurred providing transportation for commuting. There's an exception when the transportation

expenses are necessary for employee safety.

- **Bicycle commuting reimbursements:** Employers can deduct qualified bicycle commuting reimbursements as a business expense for 2018 through 2025. The new tax law also suspends the exclusion of qualified bicycle commuting reimbursements from an employee's income for 2018 through 2025. Employers must now include these reimbursements in the employee's wages.
- **Qualified moving expenses reimbursements:** Reimbursements an employer pays to an employee in 2018 for qualified moving expenses are subject to federal income tax. Reimbursements incurred in a prior year are not subject to federal income or employment taxes; nor are payments from an employer to a moving company in 2018 for qualified moving services provided to an employee prior to 2018.
- **Employee achievement award:** Special rules allow an employee to exclude certain achievement awards from their wages if the awards are tangible personal property. An employer also may deduct awards that are tangible personal property, subject to certain deduction limits. The new law clarifies that tangible personal property doesn't include cash, cash equivalents, gift cards, gift coupons, certain gift certificates, tickets to theater or sporting events, vacations, meals, lodging, stocks, bonds, securities and other similar items.

The tax [reform for businesses page](#) has more information on fringe benefit changes.

Estimated Taxes

Individuals, including sole proprietors, partners and S corporation shareholders, may need to pay quarterly installments of estimated tax unless they owe less than \$1,000 when they file their tax return or they had no tax liability in the prior year (subject to certain conditions). More information about tax withholding and estimated taxes can be found on the agency's [Pay As You Go](#) web page as well as in [Publication 505](#), Tax Withholding and Estimated Tax. Publication 505 has additional details, including worksheets and examples, which can help taxpayers determine whether they should pay estimated taxes. Some affected taxpayers may include those who have dividend or capital gain income, owe alternative minimum tax or have other special situations.

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