

AICPA Year-end letter for business

Here's a look at some of the issues to consider as year-end approaches.

Tax Cuts and Jobs Act (TCJA)

The TCJA was signed into law at the end of 2017. The IRS has been working throughout 2018 on this major piece of tax legislation, issuing proposed regulations, notices, memos, FAQs and more to help businesses make sense of all the changes.

New laws and regulations could have an impact on how you manage your business or tax planning. Below is a summary of important developments you should be aware of:

- The Domestic Production Activity Deduction (DPAD) was repealed for tax years beginning after Dec. 31, 2017.
- Entertainment expenses are no longer deductible. You may continue to deduct 50% of the cost of business meals if you (or your employee) are present at the event and the food or beverages aren't considered lavish or extravagant.
- You can claim a larger 100% first-year depreciation deduction on qualified property (new or used). The new law increased the maximum deduction from \$500,000 to \$1 million. It also increased the phase-out threshold from \$2 million to \$2.5 million.
- More "small businesses" can use the cash (as opposed to accrual) method of accounting starting in 2018 than previously allowed. To qualify as a "small business," taxpayers must, among other things, satisfy a gross-receipts test. The gross-receipts test is satisfied if, during a three-year testing period, average annual gross receipts don't exceed \$25 million (the previous limit was \$5 million).
- The carryback of net operating losses (NOLs) is repealed effective for tax years ending after Dec. 31, 2017; NOLs can now be carried forward indefinitely. In addition, NOLs generated after 2017 cannot reduce taxable income by more than 80%.

We're here to help you navigate the changes and ensure you receive the most favorable tax treatment.

Partnership audit and adjustment rules

New audit and adjustment rules are now in effect for tax years beginning in 2018. Careful planning today will help mitigate any unfavorable consequences on both the entity and the partners

themselves. Also, be aware that even if your business isn't a partnership, you'll want to evaluate the effect these new rules could have if you've invested in any partnership.

Reminder for new tax return due dates

Due dates changed for partnerships, C corporations and several other business returns last year. For calendar-year partnerships, the filing date is now March 15 and is April 15 for C corporations. The date for fiscal year C corporations is the 15th of the fourth month following the end of the corporation's calendar year. This is good news. In fact, the CPA profession has long advocated for these changes because they'll minimize tax season complications and delays and make it easier to ensure tax returns are accurate and on time. State returns are continuing to adopt new due dates in response to the changes.

Tax identity theft is a significant threat.

Our firm takes security very seriously. We want to begin with a reminder that tax identity theft is a growing problem. With fraudsters becoming much more sophisticated and large breaches happening so frequently — such as the 2017 Equifax incident, which affected 143 million American consumers — tax identity theft remains a concern. Unfortunately, it can take many forms, so beware if you:

- Receive a notice or letter from the Internal Revenue Service regarding a tax return, tax bill or income that doesn't apply to you — It's possible someone has filed a false return using your employer identification information or Social Security number to claim a refund or get a job.
- Get an unsolicited email or another form of communication asking for either your personal financial details or business information such as payroll or employee data — The IRS doesn't contact taxpayers using email, text or social media channels, so it's likely a scammer is trying to steal your confidential information.
- Receive a robocall insisting you must call back and settle your tax bill — The IRS doesn't initiate contact by phone (they do so by mail), demand immediate payment over the phone, threaten to arrest you or demand your credit or debit card number or that you use a certain payment method — such as a gift card — to pay your taxes.

If you receive any suspicious communications from the IRS, report the contact by filling out this [IRS Impersonation Scam Reporting](#) form or calling 800.366.4484.

Make sure you're taking steps to keep your personal financial information safe. Check out these [Identity Protection Tips](#) on how to protect yourself from identity theft. Also, filing your return early can sometimes help prevent tax refund fraud. Contact us so we can help you gather your tax information to file as early as possible.

The Affordable Care Act and your taxes

The TCJA repealed the individual shared responsibility payment (the penalty that the ACA imposes on individuals who do not have health insurance) beginning in 2019. However, other aspects of the Affordable Care Act still are in place.

Corporate alternative minimum tax (AMT)

The corporate AMT is repealed effective for tax years beginning after Dec. 31, 2017.

Wayfair

On June 21, 2018, the U.S. Supreme Court handed down a historic decision in the sales and use tax nexus case *South Dakota v. Wayfair, Inc.* The 5–4 ruling overturns physical presence standards upheld in previous cases, such as *Quill Corp. v. North Dakota (1992)* and *National Bellas Hess Inc. v. Department of Revenue of Illinois (1967)*, where a business had to have a physical presence in a state for that jurisdiction to impose sales and use tax collection obligations on the business. The Court's decision in *Wayfair* will affect companies that have an economic presence in a state if that presence meets that state's nexus standard under the Court's new ruling.

Be sure your retirement planning is up to date.

When is the last time you revisited your company's retirement plan? We recommend you review your situation at least annually and make revisions and adjustments as needed. That includes making the most of the many tax-advantaged retirement saving options for small business owners, some of which allow annual contributions that can be significantly higher than those for employees. In some cases, you can establish these plans for yourself and also offer them to key employees.

Participants can contribute up to [\\$55,000](#) to SEP IRAs in 2018 (or 25% of compensation, whichever is smaller). For a SIMPLE IRA, the 2018 contribution limit is [\\$12,500](#). Solo 401k plans are eligible for both employee and employer contributions. In all cases, participants age 50 or older can make catch-up contributions.

