

2016 YEAR-END BUSINESS TAX PLANNING LETTER

Year-End Tax-Planning Moves for Businesses & Business Owners

Businesses should consider making expenditures that qualify for the business property expensing option. For tax years beginning in 2016, the expensing limit is \$500,000 and the investment ceiling limit is \$2,010,000. Expensing is generally available for most depreciable property (other than buildings), off-the-shelf computer software, and qualified real property-qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. The generous dollar ceilings that apply this year mean that many small and medium sized businesses that make timely purchases will be able to currently deduct most if not all their outlays for machinery and equipment. What's more, the expensing deduction is not prorated for the time that the asset is in service during the year. This opens up significant year-end planning opportunities.

Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year. The bonus depreciation deduction is permitted without any proration based on the length of time that an asset is in service during the tax year. As a result, the 50% first-year bonus write-off is available even if qualifying assets are in service for only a few days in 2016.

- A corporation should consider accelerating income from 2017 to 2016 if it will be in a higher bracket next year. Conversely, it should consider deferring income until 2017 if it will be in a higher bracket this year.

Summary of Retirement Plans available to Small Business Owners:

Small business owners have a multitude of choices when it comes to establishing and maintaining retirement plans for themselves and their employees. Below is a very general summary of various retirement plan options for small business owners. Note: Each type of Plan has various options/alternatives to the general Plan rule.

- Simple IRAs
 - Elective deferral up to \$12,500 (\$15,500 for taxpayers 50 and older)
 - General Rule: 3% Company match to employees
 - Deferral (Through Payroll) due 30 days after paycheck
 - Company match due by due date of corporate return (including extensions)
- SEP Plans
 - Contribution: 0% to 25% of W-2 wages
 - Requirement: Employer must contribute to employees' SEP at the same percentage as owner(s)
 - Timing: due by filing date of corporate return (including extensions)
 - Maximum contribution: \$53,000
- Solo 401(k)
 - For business owners that have no employees (other than spouse)
 - Elective deferral up to \$18,000 (\$24,000 for taxpayers 50 and older) plus 25% of W-2 income
- Simple 401(k)
 - Elective deferral up to \$18,000 (\$24,000 for taxpayers 50 and older)
 - General Rule: 3% Company match to employees
 - Non-discrimination testing required
 - Administrative fees higher than Simple IRA, SEP and Solo 401(k)

President-elect Trump's Small Business Tax Proposals

The Trump Plan will lower the business tax rate from 35 percent to 15 percent, and eliminate the corporate alternative minimum tax. This rate is available to all businesses (including pass through entities), both small and large, that want to retain the profits within the business.

The Trump Plan has also proposed allowing 100% expensing on all asset acquisitions

If you have any questions regarding the items in this letter please e-mail or call us. Also, we are sending out a reminder to all of our small business owners that we need your financial information through November (if possible) so we can run tax projections for year-end payroll as well as retirement plan contributions.