JENNINGS & CLOUSE, PLC
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2018

Re: Year-end letter for business clients

As this year is about to end, it's a good idea to make sure you're on track to reach your company's goals. It's also a good time to take advantage of last-minute planning opportunities that could reduce your tax burden.

With all that in mind, please contact us at your earliest convenience to discuss your tax situation so we can develop a customized plan to address your business's specific financial needs. Here's a look at some of the issues we're recommending clients consider as they begin their end-of-year review.

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. Check out the IRS's Businesses tax reform page for updates and resources on how these changes affect your business.

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- The Domestic Production Activity Deduction (DPAD) was repealed for tax years beginning after Dec. 31, 2017.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- The carryback of net operating losses (NOLs) is repealed effective for tax years ending after Dec. 31, 2017; NOLs can now be carried forward indefinitely.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.

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. We also urge you to contact our office for advice whenever you receive any communication from the IRS or believe you might be a victim of identity theft.

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.

Don't get assessed unnecessary IRS penalties for underpayment of estimated taxes.

The IRS charges penalties (and interest) if you don't pay the appropriate amount of taxes throughout the year. We can help you calculate your projected income and required quarterly payments. Contact our office so we can help you make the required payments before the end of the year to avoid penalties and surprises come filing season.

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. If you'd like to discuss the impact of the case on your business, please call our office today.

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.

Please contact our office today at 615.206.0360 if you have any questions or to set up a year-end review. As always, planning ahead can help you minimize your tax bill and position you for greater success.

Sincerely,

Jennings + Clouse, PLC

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