

# Tax Tips & Tricks for Small Business

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# Starting up & Running your business

- Entity selection –corporation or LLC?

What is your business plan?

- - Liability protection
- - Number of owners?
- - Future ownership?
- - Transition plan?
- - Nothing is permanent!!



# Starting up & Running your business

- **Entity selection – tax considerations:**

**C corporation** - double taxation, but lower rate now under new tax law – flat 21%

**Pass-through entities** - owner pays the tax, but at graduated rates:

- **Disregarded entity (single member LLC)**
- **Partnership – guaranteed payments & distributions**
- **S corporation – wages and distributions**

# Starting up & Running your business

- **Compliance**
  - Local business license registration,
  - Zoning,
  - Payroll taxes, sales taxes
- **Keep current!**



# Starting up & Running your business

- **Deductions & benefits with tax implications:**
  - **Automobiles**
  - **Business Meals & entertainment**
  - **Employee benefits**
  - **Business travel**



# **Tax Cuts & Jobs Act**

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- **Changes to traditional business deductions**
- **Changes to individual taxes**
- **Planning opportunities for savvy taxpayers**

# **Tax Cuts & Jobs Act**

- **Changes to traditional business deductions**
  - **Employee issues**
    - **Moving expense reimbursements - TAXABLE**
    - **Staff meals – REDUCED DEDUCTION**
  - **Employer issues:**
    - **Interest deduction is LIMITED**
    - **Entertainment – NOT DEDUCTIBLE**
  - **Depreciation deductions**
    - **Accelerated deductions for new equipment and leasehold improvements – “Bonus” depreciation & increased Sect 179**

# Tax Cuts & Jobs Act

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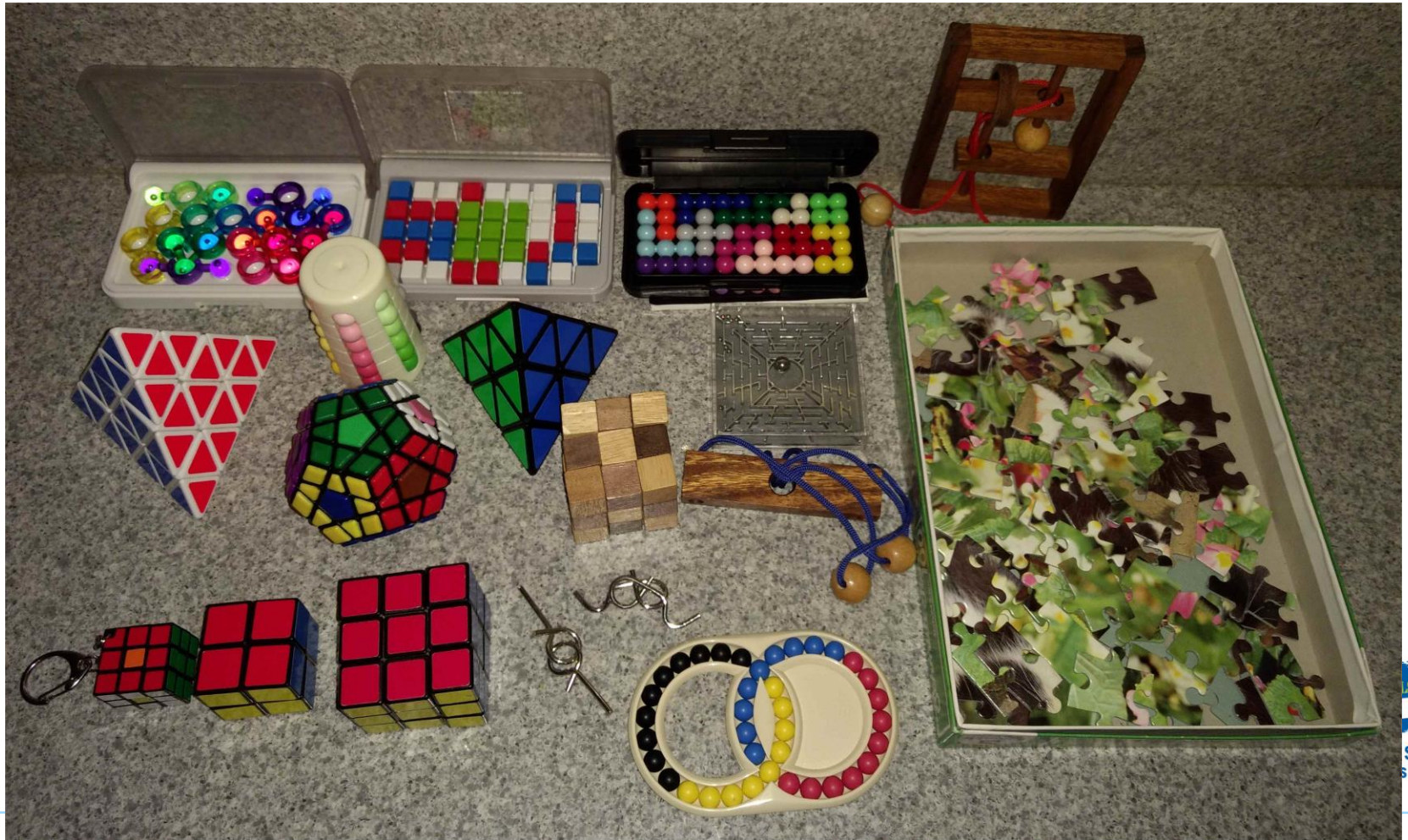




# Tax Cuts & Jobs Act

- **Planning opportunities for savvy taxpayers:**
  - Bunching up charitable deductions
  - IRA Charitable rollover (must be over 70 ½)
  - Employee or subcontractor?
  - Consider change in taxable entity
- **Tried & true planning strategies:**
  - Retirement savings
  - Hiring family members, kids
  - Stay current and avoid penalties!!

# Qualified Business Income - the 20% Deduction



# Qualified Business Income - the 20% Deduction

- What is “Qualified Business Income?”
  - Self-employment from flow-through entity - S corp, partnership, Schedule C, SMLLC
  - Not in certain fields:
    - Investment management, Health, Law, Accounting, Performing Arts, Consulting, athletics, financial services, or any trade or business where the principal asset of the business is the reputation of skill of 1 or more of its employees.
    - Architects and engineers are exempted from these rules.
  - Income test –phase-out starts at
    - \$157,500 for single taxpayer (up to \$207,500)
    - \$315,000 for Married filing jointly (up to \$415,000)

# Qualified Business Income - the 20% Deduction

- What does this mean for YOU?
  - Potential strategies to take advantage of the new deduction:
    - Employees of service businesses may prefer to become subcontractors, if their income is below the phase-out level (be wary of IRS rules about who is an employee!)
    - Business segmentation to segregate personal service income from other capital intensive sources (ex: veterinarian office)
  - IRS guidance? ON HOLD!!

# ANY FINAL QUESTIONS?

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