

Memo

To: All Clients - Merry Christmas and Happy New Year!

From: Gregory Barford

Date: 12/12/17

Subject: *Business* Income Tax Planning for 2017 (See the following page for Individual Planning)

A new tax bill has not been enacted at this point. The new tax will have minimal effect on 2017 income taxes for most taxpayers.

The strategy for the business owner is to accelerate deductions into 2017 and defer income where possible into 2018.

Equipment Purchases and Code Sec. 179 Expense Deduction and Bonus Depreciation

The purchase of equipment and other fixed assets can lower your tax burden for 2017. The Section 179 deduction, which provides a write off of 100 percent of fixed assets, is \$500,000 for 2017. Additional depreciation deductions are available via a 50 percent bonus depreciation that applies for 2017.

I only recommend purchasing assets that you may need for your business; however, you should consider accelerating purchases of fixed assets that you may need in 2018 or 2019.

Deferring or Accelerating Revenue and Expenses

Below are some basic guidelines. However, because each taxpayer has a different accounting method -- cash versus accrual -- it is important to contact our office for further details to minimize year-end taxes.

Cash Basis Taxpayers

Pay as many expenses as you can before 12/31/17. Year-end bonuses to employees should be paid before 12/29/17 in QuickBooks payroll to get the deduction for 2017. When possible, delay collection of your revenue until after 1/1/18.

Accrual Basis Taxpayers

Be sure to include all of your expenses in accounts payable using a date of 12/31/17. Keep in mind that you can enter expenses well into 2018 using a 12/31/17 date. Our office can accrue year-end bonuses to your staff for 2017 paid in 2018, so there is no need to have staff bonuses paid in 2017.

Basis for Deducting Business Losses

To deduct any business losses for 2017, you must have basis (**the total amount you have invested**) in your company. Therefore, you may need to lend money temporarily to the company by 12/31/17, so that losses can be deducted on 2017 tax returns.

Contact our office for further details: 301-865-4648 or gab@gabcpa.com