THE SMALLBIZ BUILDER

Planning For Your Dreams

PADGETT BUSINESS SERVICES

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This Month:

- Tips for Paying Estimated Taxes
- Businesses Will Be Affected by the Tax Cuts and Jobs Act!

Tips for Paying Estimated Taxes

Estimated tax is a method used to pay tax on income that isn't subject to withholding. You may need to pay estimated taxes during the year depending on your sources of income. For example, income from self-employment, interest, dividends, alimony, rent, gains from the sales of assets, prizes or awards, may require you pay estimated tax. For Sole Proprietors, Partners and S Corporation shareholders, you generally have to make estimated tax payments if you expect to owe $1,000 or more in tax when you file your Form 1040 return.

As a general rule, individuals must pay estimated taxes for 2018 if both of these statements apply:

- You expect to owe at least $1,000 of tax on your Form 1040, after subtracting your tax withholding (if you have any) and credits, and
- You expect your withholding and credits to be less than the smaller of 90% of your 2018 taxes or 100% of the tax on your 2017 return.

If you own a business, often calculating estimated tax on a quarterly basis is a better choice. We can help you determine the safest route to go.

With the passage of the Tax Cuts and Jobs Act, estimating income for 2018 may be more challenging than in the past. In these uncertain times, you need someone you can trust for timely and accurate advice. We are knowledgeable and available to help, so call us to schedule an appointment.

Estimated tax payments are generally due April 15, June 15, Sept. 15 and Jan. 15. The easiest way to pay estimated taxes is electronically through the EFTPS, however; you can also pay by check or money order using the Estimated Tax Payment Voucher or by credit or debit card.

PADGETT BUSINESS SERVICES
1 Harbison Way, Suite 102, Columbia, SC 29201
(803) 731-4408
info@padgettsc.com
www.padgettsc.com

Businesses Will Be Affected by the Tax Cuts and Jobs Act!

In late December, President Trump signed the Tax Cuts and Jobs Act (TCJA) that provides extensive tax reform to our tax system. Business owners will be faced with several changes as well as tax planning opportunities beginning in 2018. Below is a summary of some provisions included in the TCJA that may affect you:

Corporate Tax Rates. The rate has been reduced to a flat 21%. Previously, corporations were subject to graduated tax rates ranging from 15% - 35%.

Section 179 Expensing/Bonus Depreciation. Effective 1/1/2018, the ability to write off fixed asset purchases through Section 179 expensing has increased from $500,000 to $1 million with phase-out increased from $2 million to $2.5 million. Beginning in 2018, there's also an opportunity to take bonus depreciation through 100% expensing for qualified property. Used property now qualifies as well as qualified film, television, and live theatrical productions.

Alternative Minimum Tax (AMT). The corporate AMT is repealed for tax years after 12/31/17.

Dividend Received Deduction. The 80% dividend received deduction is reduced to 65% and the 70% dividend received deduction is reduced to 50% for tax years 2018 and beyond.

Like-Kind Exchange Treatment. Beginning in 2018, like-kind exchanges are only available for real property that isn't held primarily for sale. Therefore, like-kind exchanges on vehicles will no longer be allowed.

Entertainment Expenses. Deductions for entertainment expenses are disallowed for tax years after 12/31/2017. In addition, meals provided by the employer on the premises are subject to 50%, rather than being fully deductible.

Domestic qualified business income. For tax years beginning after 12/31/2017, taxpayers will no longer be able to claim a domestic production activities deduction.

Cash Basis of Accounting. Beginning in 2018, the cash basis of accounting may be used by taxpayers who meet the $25 million gross receipts test (previously $5 million) regardless of income producing activities. Converting to the cash basis of accounting would result in a change of accounting method and the filing for Form 3115.

Accounting for Inventory. For tax years beginning after December 31, 2107, taxpayers who meet the $25 million gross receipts test are no longer required to maintain inventory, but rather can either treat inventories as non-incidental materials and supplies or in a manner that conforms to the taxpayer's financial accounting treatment of inventories. The use of this provision will result in a change in accounting method and the filing of Form 3115 and may require paying significant user fees.

While change is often difficult, the TCJA does present opportunities for business owners. To discuss how these new provisions will affect your business, give us a call to schedule a meeting.