

THE SMALLBIZ BUILDER

Planning For Your Dreams



July 2016

PADGETT BUSINESS SERVICES®

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This Month:

- 3rd Quarter 2016 Due Dates
- Overtime Pay Laws Are Changing!
- Tax Deductible Vacations

3rd Quarter 2016 Due Dates

August 1:

- ◇ *Employers.* File Form 941 for 2nd quarter 2016. File Form 5500 or 5500-EZ for calendar-year 2015 due if you maintain an employee benefit plan, or file Form 5558 to request an extension.

September 15:

- ◇ *Individuals.* 3rd installment of 2016 estimated tax due.
- ◇ *Calendar-year C Corporations.* 3rd installment of 2016 estimated tax due.
- ◇ *Corporations.* 2015 returns due for calendar-year C & S Corporations (Form 1120 & 1120S) if on extension.
- ◇ *Partnerships.* Calendar-year 2015 return due (Form 1065) if on extension.

Overtime Pay Laws Are Changing!

Did you know that the rules for overtime pay are about to change? Small business owners need to know how these changes will impact their business.

Effective **Dec 1st, 2016**, the Department of Labor (DOL) will require employers to pay their workers who earn less than \$913 per week (\$47,476 per year) overtime pay when they work more than 40 hours in a given week. Certain "white collar" workers who meet the salary requirement of \$47,476 may be exempt from these new rules based upon the duties they perform. For example, those that primarily perform administrative, executive, or professional duties as defined by the DOL won't require to be awarded overtime pay. An administrative, executive or professional employee with total annual compensation of at least \$134,004 (increased from \$100,000) is exempt without meeting the full duties test. The final rule also includes changes to allow bonuses and incentive pay to count towards up to 10% of the new salary level.

Although these changes benefit millions of workers by putting more money in their pockets and improving work-life balance, not everybody is happy with the new requirements. The changes ultimately transfer income from employers to employees but at the same time increase employer costs. With the limited window to meet the new standards, the time for business owners to act is now!

We can assist you in identifying employees that may not be impacted by the changes, review your current policies, and help you develop training procedures. Give us the opportunity to help mitigate the potential costs to your business, while ensuring you stay compliant with the new regulations.

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Tax Deductible Vacations

Although technology has revolutionized the way we do business, there are still situations where it's necessary for a face-to-face meeting with staff, management, or customers. With a little planning for the current vacation season, you can mix some leisure time in with your business travel and still get a tax deduction.

Deductible Travel Expenses

If your trip within the U.S. was primarily for business and, while at your business destination, you extended your stay for a vacation, made a side trip, or had other personal activities, you can deduct only your business-related travel expenses.

It's important to keep records such as receipts, canceled checks, or bills, to support your expenses and be able to prove the number of days spent on business. The following is a list of expenses you may be able deduct depending on the facts and circumstances:

- 50% of the cost of meals
- Travel by air, rail, and bus fares
- Baggage charges
- Hotel expenses
- Expenses of operating and maintaining a car
- Local transportation costs for taxi fares or other transportation to and from the airport
- Cleaning and laundry expenses
- Computer rental fees
- Telephone or fax expenses
- Tips on eligible expenses

However, these same type of expenses aren't deductible for non-business days. Personal entertainment costs on the trip, such as a sightseeing tour, aren't deductible, regardless of the day on which they fall. Cost deductions for a spouse accompanying you on a business trip are allowed only if your spouse is a bona fide employee. Merely having your spouse-employee perform some incidental business service, such as typing up notes from a meeting, isn't enough to establish a business purpose. Your spouse's presence must be necessary to your business pursuits – not just helpful.

Travel Outside the U.S.

Travel outside the U.S. has its own set of unique rules and recordkeeping requirements. When documenting your business trips outside the U.S., your trip will fall into one of three categories:

- Travel Entirely for Business,
- Travel Primarily for Business, and
- Travel Primarily for Vacation.

The factors which determine the category your trip falls into are related to the number of business days versus total days away. If your trip is less than one week, don't count the day you leave the U.S. but count the day you return to the U.S. On the other hand, if your trip is more than one week, count both the day you leave the U.S. and the day you return. If your trip wasn't entirely for business, you must allocate travel expenses on a day-to-day basis between days you did and didn't conduct business.



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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

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