

# THE SMALLBIZ BUILDER

Planning For Your Dreams



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PADGETT BUSINESS SERVICES®

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## This Month:

- Get More From Your Tax Preparer!
- Gain from Sale of Small Business Stock May Be Excluded From Income
  - Keeping Good Records is Key to Deducting Business Expenses

### Get More From Your Tax Preparer!

Do you find yourself needing advice, a plan for the future, or a trusted resource to help you set goals and stay focused on achieving them? Padgett Business Services® offers more than just tax preparation and monthly accounting services. We also provide strategic planning through ongoing communication not limited to just tax season.

We can help you focus on tomorrow by customizing a plan for you and your business today based upon your short and long-term goals. Developing a plan early and revisiting it throughout the year will not only help you stay motivated, but will also determine if adjustments are needed to ensure you reach your goals.

The days of meeting with your accountant once or twice a year to report the past is over! By staying engaged with you throughout the year, we can offer tax planning strategies and identify opportunities for real tax savings for you and your business.



With the fast-paced technological age we live in, you need more than just a tax preparer! We have the capabilities to provide you with real-time information, allowing you to make more informed decisions. You need a small business advisor who's proactive and has the expertise necessary to help your business stay competitive in today's marketplace. Let us be the trusted resource you turn to, not only for tax preparation but also for future tax planning.

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## Gain from Sale of Small Business Stock May Be Excluded From Income

Small businesses have been the growth engine of the U.S. economy. Congress has provided a variety of incentives to encourage taxpayers to invest in small business, one of these being the exclusion of gain earned from the sale of qualified small business stock (QSBS). Small business owners may exclude their gains on qualifying C-corp stock issued after September 27, 2010 up to ten times their basis or \$10 million from the sale of their corporate stock, whichever is greater. In order to qualify for the exclusion, the stock in the active business must be held by the shareholder for at least five years before it's sold. Income eligible for this gain exclusion is also excluded from both Alternative Minimum Tax (AMT) and the 3.8% Net Investment Income Tax!

This attractive tax preference had expired December 21, 2013, but has been brought back to life and made permanent with the passage of the Protecting Americans from Tax Hikes (PATH) Act in December 2015. This creates additional opportunities for those planning to acquire or start a new small business. When deciding on which entity type to operate your business, remember this tax advantage for C-Corporations.

For additional discussion on what this means to you, please contact our office.

## Keeping Good Records is Key to Deducting Business Expenses

Keeping good records can pay off big if you deduct travel, business or transportation expenses. They will help protect you from the IRS if your return is ever examined and provide the proof your employer may require if you are reimbursed for business expenses under an accountable plan. Use an account book, diary, statement of expense or similar record to keep the proof that you will need. It's also a good idea to keep documentary evidence that, together with your records, will support your expenses. Receipts, cancelled checks or bills are examples of some items that you should retain. Receipts are not needed in every case, such as travel and entertainment expenses less than \$75 (with the exception of lodging.)



Your records should show the amount, time, date, and place or description and the business purpose for each expenditure. For example, when traveling always record the amount for each separate expense, the city in which it took place, and the business purpose for the trip. The business purpose is especially crucial for deducting meal and entertainment expenses. A substantial and bona fide business discussion must take place directly before, during, or after the entertainment. Generally, only 50 percent of meal and entertainment expenses are deductible.

Automobile usage for business purposes should also be kept in your log. Your log should include the number of miles driven for each use, as well as the information described above. Tolls and parking fees may be claimed in addition to the standard mileage rate that many taxpayers use.

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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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