SMALL BUSINESS GROUP

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CONTACT

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Calendar

10/1
- If starting a new Simple Plan, it must be set up by this date.

10/15
- Payroll disks, files or reports due at SBG

10/15
- Payroll tax deposit due for monthly depositors
- **Deadline for 1040 Returns**

10/22
- Sales tax reports due

10/31
- Payroll tax returns due

OFFICE HOURS:

Monday - Thursday
8 am to 5 pm

CLOSED FRIDAYS
(May through December)

Important Dates!

Semi-Weekly 941 Deposit Due Dates

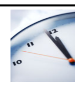
Payroll Check Date:	Deposit is Due on:
Oct 1	Oct 4
Oct 2-4	Oct 9
Oct 5-8	Oct 11
Oct 9-11	Oct 17
Oct 12-15	Oct 18
Oct 16-18	Oct 23
Oct 19-22	Oct 25
Oct 23-25	Oct 30
Oct 26-29	Nov 1
Oct 30-Nov 1	Nov 6

3RD QUARTER PAYROLL DUE

You should have received your third quarter "payroll worksheets" from Small Business Group either by email or in the mail.

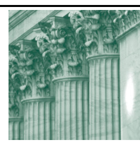
QuickBooks users are asked to make a backup copy or a portable company file *<u>once you have reconciled through 9/30/13</u>* and upload it to the SBG Portal using File Exchange and fax us your preprinted RT-6 form**.** If you prefer, you can bring or mail us your USB stick.

Payrolls are processed on a first-in, first-out basis. Payrolls with missing information will not be processed until all information is received. <u>The filing deadline is October 31st</u>. Contact Kewanna at 731-2221 or kgroman@smallbg.com if you have any questions.

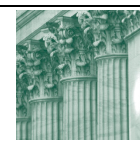


It's Time for Tax Planning!

If your engagement includes a TAX PLAN meeting, Charia will be contacting you soon to schedule your tax planning appointment. **If SBG does your Quarterly Payroll, please be sure to reconcile your QuickBooks file BEFORE sending it to us so that we can use your 3rd Qtr Payroll file for your Tax Planning reports.** If you didn't include Tax Planning in your engagement, but would like to schedule a session, please contact our office soon. Don't procrastinate — the calendar will fill up fast!



Lessons from the Tax Court: Bad business debt wasn't legit



A taxpayer can claim deductions for bad debts that can't be collected and become worthless. But the IRS often regards such deductions with a healthy dose of skepticism when transactions involve related parties, such as a purported loan from a business owner to his or her corporation. This type of arrangement proved to be the undoing of a taxpayer in a new Tax Court decision.

Facts of the case: SRG Corp. was owned by June Shaw, her mother and her siblings. Shaw also was employed at SRG as an officer. Early in 2009, she agreed to commit $1 million, in the form of a revolving line of credit, to fund a development project for SRG. The note from SRG Corp. called for 10% annual interest, which was to accrue until 2011, when the principal was also due. Shaw didn't require any collateral and the line of credit was unsecured at all times. Shaw began making advances shortly after the note was signed. At that time, SRG Corp. was encountering financial difficulties, which only worsened toward the latter part of the year. Nevertheless, Shaw continued to transfer funds to SRG Corp. throughout 2009 under the line of credit. Ultimately, the advances by Shaw for 2009 totaled $800,000. But the development project was never completed and it was formally "canceled" at the end of the year. No interest or principal was ever paid on the note. Shaw claimed that she demanded a repayment of $5,000 at the end of 2009. However, she didn't launch any legal action in an effort to secure repayment or obtain a professional opinion from an accountant or a financial consultant that the note was worthless. On her 2009 tax return, Shaw claimed a bad debt deduction for the entire $800,000.

The Tax Court said Shaw didn't have a leg to stand on. *Reasons:* She failed to show that the advances constituted bona fide loans, nor did she show that any debts were worthless. Therefore, the Tax Court turned down the deduction. *(Shaw TC Memo 2013-170)*

Small Business Tax Strategies — October 2013

NEW RX FOR SMALL BIZ HEALTH CREDIT

The most onerous rules for employers and employees included in the massive 2010 health care law—the Patient Protection and Affordable Care Act (PPACA)—have yet to take effect. But qualified small business owners may already benefit from a generous tax credit for providing health insurance coverage to workers.

Alert: The Treasury Department has just issued new proposed regulations on the credit. *(REG-113792-13, 8/23/13)*

Here's the whole story: Under the PPACA, a small business is eligible for credit if it contributes to health insurance coverage for its employees. To qualify, the business must have fewer than 25 full-time employees (FTEs) with average annual wages of less than $50,000 *(see box on page 2).* The credit is reduced if you exceed either of these two limits.

The credit first became available in 2010. For the first four years, including 2013, the maximum credit is equal to 35% of the non-elective contributions made on behalf of employees. However, the maximum 35% credit is only available if the employer has 10 or fewer full-time employees and an average wage of less than $25,000. Beginning in 2014, the maximum credit increases to 50% of allowable contributions.

Following are several key areas covered in the new proposed regulations:

Eligibility issues: An **e**mployer may be able to claim the credit for employees who aren't performing services in a trade or business (e.g., household employees). Also, foreign entities with U.S. income are eligible only if they pay premiums for health insurance coverage issued in and regulated by one of the 50 states or the District of Columbia. Sole proprietors, partners in a partnership, 2%-or-more owners of S corporations and any 5%-or-more business owners, as well as their family members, don't count as employees for this purpose.

Qualifying arrangements: An employer must pay premiums for each employee enrolled in health insurance coverage in an amount equal to a uniform percentage (not less than 50%) of the premium cost. If an employer is entitled to a state tax credit or a premium subsidy, this amount isn't included in this test, but it is figured into the credit calculation.

State exchanges: For 2014 and thereafter, an employer must obtain health insurance through the Small Business Health Options Program (SHOP). Because these state-run exchanges are just being set up, an employer can still qualify for a credit in 2013 by obtaining insurance from an outside source.

Time limit: Beginning in 2014, a new two year limit applies after the first year the employer files Form 8941, *Credit for Small Employer Health Insurance Premiums*. If you claim the credit prior to 2014, you can still take the credit for two more years in 2014 and later. If an entity's predecessor entity claimed the credit in the past, the predecessor's period will count toward the two-year credit period.

The Tax Ticker

IRS speaks on DOMA. After months of silence in the wake of the U.S. Supreme Court striking down Section 3 of the Defense of Marriage Act (DOMA), the IRS has finally issued definitive guidance on the issue. *(IRS Revenue Ruling 2013-17)* The IRS now says that same-sex married couples will be treated the same as traditional married couples for all federal tax purposes, including income, gift and estate taxes. Any same-sex marriage legally entered into in one of the 50 states, the District of Columbia, a U.S. territory, or a foreign country is covered by the ruling. Generally, couples will have three years from the date a tax return was filed to apply for an income tax refund. Use Form 1040X, *Amended U.S. Individual Tax Return.*

How to Count Full-Time Employees

To determine the number of full-time employees (FTEs), divide the total hours for which you compensate employees (up to 2,080 hours per employee) by 2,080.

Example: Your business has 28 employees on the payroll in 2013. Of these, 20 are paid wages based on 2,080 hours, while eight are paid based on 1,040 hours. Here's the calculation.

1. 2,080 hours x 20 employees = 41,600 hours

2. 1,040 hours x 8 employees = 8,320 hours

Result: A total of 49,920 total hours (41,600 + 8,320) ÷ 2,080 hours results in 24 FTEs. Thus, you qualify for the credit even though your business has more than 25 workers (because some of them are not full time).

TIP: The new regs also provide transitional rules for employers that don't operate on a calendar year (e.g., if your tax year begins after Jan. 1, 2014, but before Jan. 1, 2015).

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