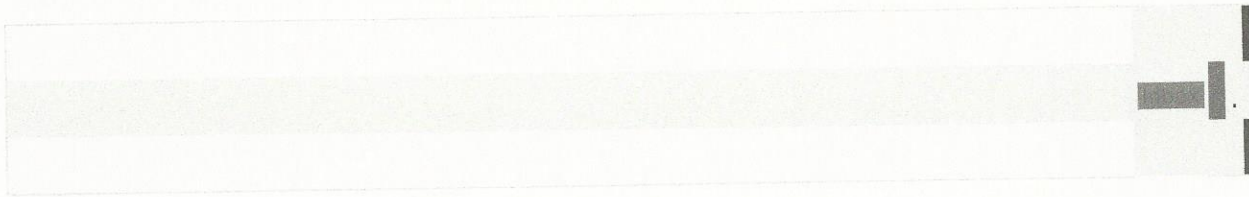


Small Business Initiative - Materials for Week 1



Hanson Mary S

Wed, Oct 10, 11:10 AM (2 days ago)

to  
me

Hi Norma,

This week IRS is beginning a campaign to highlight their ongoing effort to inform small business owners and self-employed individuals of tax law changes affecting their bottom line. As part of the small business initiative, IRS issued a news release and fact sheet yesterday. Going forward, there will be additional communications and outreach activities related to this initiative on a weekly basis. I hope you will consider sharing some of this information with your members

The attachments to this email include:

**News Release & Fact Sheet (Oct. 9).** A news release and fact sheet in English and Spanish.

News Release: IRS to highlight tax reform changes affecting small businesses; Small business owners, self-employed should plan now for new changes

Fact Sheet: The Highlights of Tax Reform for Businesses

**Tax Reform Tax Tips.** Tax Tips in English and Spanish

October 10: New 100-percent depreciation deduction benefits business taxpayers

October 11: IRS resources can help small businesses better understand how tax reform affects their bottom line

**Drop-in articles:**

IRS resources help small businesses understand tax reform

New 100-percent depreciation deduction for businesses

This information will be posted on the [Tax Reform Resources](#) page as available.

Thank you,

Mary

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## **IRS to highlight tax reform changes affecting small businesses; Small business owners, self-employed should plan now for new changes**

IR-2018-197, Oct. 9, 2018

WASHINGTON – With just a few months left in tax year 2018, the Internal Revenue Service today urges small business owners to learn about how the new tax law changes may affect them.

The Tax Cuts and Jobs Act, passed in December 2017, made tax law changes that will affect virtually every business and individual in 2018 and the years ahead. Among other things, the new law may change their tax rates and impact the quarterly estimated tax payments they are required to make during the year.

For many passthrough businesses, the law changes created a new 20-percent deduction for qualified business income. Other deductions and credits have been changed as well, including revised depreciation methods and expanded options for expensing business property. There are also new rules for like-kind exchanges and fringe benefits. In addition, small business employers who provide paid family and medical leave to their employees during tax years 2018 and 2019 may qualify for a new business credit. Business owners can refer to the [Tax Reform Provisions that Affect Businesses](#) page for updates and resources on these topics and other business-related changes.

The IRS is highlighting these changes and more as part of its on-going initiative to help small businesses and self-employed individuals understand and meet their tax responsibilities. Pass-through businesses, small C-Corporations, Schedule C filers (independent contractors and gig economy workers) and farmers are all affected by the new law.

The IRS has issued a number of news releases, tax tips, YouTube videos and webinars to help small businesses navigate the new tax law, and more of these products are on the way. Tax tips are written in plain language and people can subscribe to them by using the [IRS's Tax Tips email-subscription program](#). A variety of additional products and resources can be found on the [Tax Reform Resources](#) page.

Business owners are encouraged to check the [Tax Reform homepage](#) for the latest guidance on the tax law provisions that may affect them. Partner groups are also encouraged to share this important information with their members.



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## The Highlights of Tax Reform for Businesses

FS-2018-17, October 2018

The Tax Cuts and Jobs Act included a few dozen tax law changes that affect businesses. Most of the changes in the new law take effect in 2018 and will affect tax returns filed in 2019.

This fact sheet summarizes some of the changes for businesses and gives resources to help business owners find more details.

### Business taxpayers should re-estimate estimated tax payments

The Tax Cuts and Jobs Act changed the way tax is calculated for most taxpayers, including those with substantial income not subject to withholding, such as small business owners and self-employed individuals. Among other reforms, the new law changed the tax rates and brackets, revised business expense deductions, increased the standard deduction, removed personal exemptions, increased the child tax credit and limited or discontinued certain deductions. As a result, many taxpayers may need to raise or lower the amount of tax they pay each quarter through the estimated tax system.

Because of the far-reaching tax changes taking effect this year, the IRS urges all employees, including those with other sources of income, to perform a Paycheck Checkup now. Doing so now will help avoid an unexpected year-end tax bill and possibly a penalty. The easiest way to do this is to use the [Withholding Calculator](#) available on IRS.gov.

A companion publication, [Publication 505](#), Tax Withholding and Estimated Tax, has additional details, including worksheets and examples, which can help taxpayers determine whether they should pay estimated tax. Some of those groups that should consult Publication 505 are those who have dividend or capital gains income, owe alternative minimum tax or have other special situations.

[Form 1040-ES](#) can also help taxpayers figure these payments simply and accurately. The estimated tax package includes a quick rundown of key tax changes, income tax rate schedules for 2018 and a useful worksheet for figuring the right amount to pay.

More information about tax withholding and estimated tax can be found on the IRS's [Pay As You Go](#) web page.

### New or revised deductions for businesses

- **Qualified business income.** Many taxpayers may be eligible for a new deduction for qualified business income (QBI) from a qualified trade or business operated directly or through a pass-through entity.

The deduction has two components.



# Fact Sheet

- 1) Eligible taxpayers may be entitled to deduct up to 20 percent of their qualified business income (QBI) from a domestic business operated as a sole proprietorship or through a partnership, S corporation, trust or estate. For taxpayers with taxable income that exceeds \$315,000 for a married couple filing a joint return, or \$157,500 for all other taxpayers, the deduction is subject to limitations such as the type of trade or business, the taxpayer's taxable income, the amount of W-2 wages paid by the qualified trade or business and the unadjusted basis immediately after acquisition (UBIA) of qualified property held by the trade or business. Income earned through a C corporation or by providing services as an employee is not eligible for the deduction.
- 2) Eligible taxpayers may be entitled to deduct 20 percent of their combined qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. This component of the section 199A deduction is not limited by W-2 wages or the UBIA of qualified property.

The sum of these two amounts is referred to as the combined qualified business income amount. Generally, this deduction is the lesser of the combined qualified business income amount and an amount equal to 20 percent of the taxable income minus the taxpayer's net capital gain.

The deduction is available for tax years beginning after Dec. 31, 2017. Most eligible taxpayers can claim it for the first time when they file their 2018 federal income tax return in 2019. The deduction is available regardless of whether an individual itemizes their deductions on Schedule A or takes the standard deduction.

For more information, see the [FAQs on the Deduction for Qualified Business Income](#).

- **Meal and entertainment expenses.** The new law generally eliminated the deduction for any expenses related to activities generally considered entertainment, amusement or recreation. However, under the new law, taxpayers can continue to deduct 50 percent of the cost of business meals if the taxpayer - or an employee of the taxpayer - is present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant or similar business contact. Food and beverages that are purchased or consumed during entertainment events will not be considered entertainment if purchased separately from the entertainment, or if the cost is stated separately from the entertainment on one or more bills, invoices or receipts.
- **Fines and penalties paid to a government.** Taxpayers can't deduct certain fines and penalties for violation of the law. See [Notice 2018-23](#) for more details.
- **Payments made in sexual harassment or sexual abuse cases.** Taxpayers can't [deduct](#) certain payments made in sexual harassment or sexual abuse cases.
- **Payments under state or local tax credit programs.** Business taxpayers who make business-related payments to charities or government entities for which the taxpayers receive state or local tax credits can generally [deduct](#) the payments as business expenses.



- The business expense deduction is available to any business taxpayer, regardless of whether it's doing business as a sole proprietor, partnership or corporation, as long as the payment qualifies as an ordinary and necessary business expense.

## Changes to fringe benefit deductions

There are important changes to fringe benefit deductions that employers need to know about. These changes can affect a business's bottom line and its employee's deductions.

- **Transportation fringe benefits.** The new law disallows deductions for expenses associated with qualified transportation fringe benefits or expenses incurred providing transportation for commuting (except as necessary for employee safety).
- **Bicycle commuting reimbursements.** Under the new tax law, employers can deduct qualified bicycle commuting reimbursements as a business expense for 2018 through 2025. The new tax law suspends the exclusion of qualified bicycle commuting reimbursements from an employee's income for 2018 through 2025. Employers must now include these reimbursements in the employee's wages.
- **Moving expenses.** Employers must now include moving expense reimbursements in employees' wages. The new tax law suspends the former exclusion for qualified moving expense reimbursements. One exception: Active duty members of the U.S. Armed Forces can still exclude moving expenses from their income. [Notice 2018-75](#) provides guidance on 2018 reimbursements for employees' 2017 moves. Generally, reimbursements in this situation are not taxed.
- **Achievement awards.** Special rules allow an employee to exclude achievement awards from wages if the awards are tangible personal property. An employer also may deduct awards that are tangible personal property, subject to certain deduction limits. The new law clarifies the definition of tangible personal property.

See the [Employer Update](#) on IRS.gov for more details.

## Changes to depreciation and expensing for businesses

The Tax Cuts and Job Act changed some laws regarding depreciation and expensing. These changes can affect a business's tax situation. Here are the highlights:

- Businesses can immediately expense more under the new law.
- Temporary 100 percent expensing for certain business assets (first year bonus depreciation).
- Changes to depreciation limitations on luxury automobiles and personal use property.
- The treatment of certain farm property changed.
- Applicable recovery period for real property.
- Use of alternative depreciation system for farming businesses.



More details are in [FS-2018-9](#), New rules and limitations for depreciation and expensing under the Tax Cuts and Jobs Act.

## New and revised tax credits for businesses

- **New employer credit for paid family and medical leave.** This general business credit is a percentage of the amount of wages paid to a qualifying employee while on family and medical leave for up to 12 weeks per taxable year. The credit is generally effective for wages paid in taxable years beginning after Dec. 31, 2017, and before Jan. 1, 2020. For more information, see the [Frequently Asked Questions](#) about the Employer Credit for Paid Family and Medical Leave and [Notice 2018-71](#).
- **Rehabilitation tax credit.** The new law affects the rehabilitation tax credit for amounts that taxpayers pay or incur for qualified expenditures after Dec. 31, 2017. It repeals the 10 percent credit for buildings placed in service before 1936. It keeps the 20 percent credit for expenses to rehabilitate a certified historic structure, but requires taxpayers to prorate the 20 percent credit over five years instead of in the year they placed the building into service.

A transition rule gives relief to owners of either a certified historic structure or a pre-1936 building by allowing owners to use the prior law if the project meets these conditions:

- The taxpayer owns or leases the building on Jan. 1, 2018, and at all times thereafter, and
- The 24- or 60-month period selected for the substantial rehabilitation test begins by June 20, 2018.

## Other changes

### Accounting methods

**Small businesses.** The new tax law allows small business taxpayers with average annual gross receipts of \$25 million or less in the prior three-year period to use the cash method of accounting. The law expands the number of small business taxpayers eligible to use the cash method of accounting and also exempts these small businesses from certain accounting rules for inventories, cost capitalization and long-term contracts. As a result, more small business taxpayers are allowed to change to the cash method of accounting starting after Dec. 31, 2017.

**S corporation to C corporation.** An eligible terminated S corporation that is required to change from the overall cash method to an overall accrual method of accounting because of a revocation of its S corporation election that makes this method change for the C corporation's first taxable year after such revocation must use a 6-year section 481(a) adjustment period. See [Revenue Procedure 2018-44](#) for details.



# Fact Sheet

Internal Revenue Service  
Media Relations Office  
Washington, D.C.

Media Contact: 202.317.4000  
Public Contact: 800.829.1040  
[www.irs.gov/newsroom](http://www.irs.gov/newsroom)

**Like-kind exchanges.** Under the new law, deferral of gain or loss now applies only to exchanges of real property and not to exchanges of personal or intangible property. An exchange of real property held primarily for sale still does not qualify as a like-kind exchange. To qualify as a like-kind exchange, a taxpayer must hold the real property for productive use in a trade or business or for investment. Real property held for sale does not qualify. A transition rule in the new law provides that an exchange of personal or intangible property may qualify as a like kind exchange if the taxpayer began the exchange by transferring property or receiving replacement property on or before Dec. 31, 2017. See more details on the [Like-Kind Exchanges – Real Estate Tax Tips](#) page on IRS.gov.

**International business.** The Tax Cuts and Jobs Act changed some things related to international businesses. Learn more on the tax reform page for [international taxpayers and businesses](#).

**Wrongful IRS levy.** Individuals and businesses have more time to file an administrative claim or to bring a civil action for wrongful levy or seizure. The new law extended the time limit for filing an administrative claim and for bringing a suit for wrongful levy from nine months to two years. For more information, see news release [2018-126](#).





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## New 100-percent depreciation deduction benefits business taxpayers

### IRS Tax Reform Tax Tip 2018-157

Tax reform legislation passed in [December 2017](#) includes changes that affect businesses. One of these changes allows businesses to write off most depreciable business assets in the year they place them in service.

Here are some facts about this deduction to help businesses better understand how to claim it:

- The 100-percent depreciation deduction generally applies to depreciable business assets with a recovery period of 20 years or less and certain other property.
- Machinery, equipment, computers, appliances and furniture generally qualify.
- The 100-percent depreciation deduction applies to qualifying property acquired and placed in service after Sept. 27, 2017.
- Taxpayers who elect out of the 100-percent depreciation deduction for a class of property must do so on a timely filed return. Those who have already timely filed their 2017 return and did not elect out can still do so. These taxpayers have six months from the original filing deadline to file an amended return. For calendar-year corporations, this means Oct. 15, 2018.
- The IRS issued [proposed regulations](#) with guidance on what property qualifies and rules for qualified film, television and live theatrical productions, and certain plants.
- For details on claiming the 100-percent depreciation deduction or electing out of claiming it, taxpayers should refer to the proposed regulations or the instructions to [Form 4562](#), Depreciation and Amortization.



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119 words including title

## **IRS resources help small businesses understand tax reform**

Here are some of the resources on IRS.gov to help businesses better understand how the [Tax Cuts and Jobs Act](#) affects their bottom line.

- [Tax Reform News](#) - includes links to news releases, fact sheets and statements on the new legislation and how it affects businesses.
- [Tax Reform Provisions that Affect Businesses](#) – brief explanations with links to more details about provisions of the new law.
- [Tax Reform Guidance](#) – includes links to technical information about the law and how it applies to businesses.
- [Tax Reform Resources](#) – includes links to articles, frequently asked questions, videos, publications and tax tips that employers can share with employees to help them better understand the new law.

110 words including title

## **New 100-percent depreciation deduction for businesses**

Tax reform legislation includes changes that affect a business' bottom line. One of these changes allows businesses to write off most depreciable business assets in the year they place them in service.

Here are some facts about this deduction:

- The 100-percent depreciation deduction generally applies to depreciable business assets and certain other property.
- Machinery, equipment, computers, appliances and furniture generally qualify.
- The deduction is retroactive for qualifying property acquired and placed in service after Sept. 27, 2017.
- Taxpayers who elect out of the 100-percent depreciation deduction must do so on a timely filed return.

For more information see Form 4562 or visit [IRS.gov](https://www.irs.gov).