



2013 Business Year-End Tax Planning

Taxpayers and their advisers are once again challenged by a complex legislative environment when it comes to tax planning for 2013. At the same time, *proper planning could be especially productive this year by taking advantage of expiring tax breaks, traditional tax planning moves, and being aware of NEW taxes for 2013.* It has been the case for the past few years that Congress has passed end-of-year legislation that could impact tax planning. With that in mind, you should plan to prepare your returns in accordance with current laws, but stay in contact with your local Padgett office so that we can inform you of any legislative changes.

The most common strategy is to simply **defer income and accelerate deductions** to minimize 2013 taxes. However, year-end tax planning must take into account each taxpayer's particular situation and planning goals. For pass-through entities (Partnerships and S-corporations) these strategies must be coordinated with the owner's individual tax situations.

Business tax planning strategies would include:

- Take advantage of tax provisions that will expire after 2013 including:
 - ◊ 50% bonus depreciation for most new machinery, equipment and software
 - ◊ 15 year depreciation for qualified leasehold improvements, qualified restaurant buildings and improvements and qualified retail improvements
 - ◊ Sec. 179 expense for certain equipments up to \$500,000
 - ◊ Sec 179 expense for certain real property
 - ◊ Work Opportunity tax credit for qualifying workers
 - ◊ Credit for qualified research expenses
- Postpone income until 2014 and accelerate deductions into 2013 to lower your 2013 tax bill. For pass-through entities, this strategy may also enable you to claim larger deductions, credits, and other tax breaks for 2013 that are phased out over varying levels of adjusted gross income (AGI). These include child tax credits, higher education tax credits, the above-the-line deduction for higher-education expenses, and deductions for student loan interest. Postponing income also is desirable for those taxpayers who anticipate being in a lower tax bracket next year due to a change in financial circumstances. Note that in some cases it may pay to accelerate income into 2013. For example, this may be the case where a person's marginal tax rate is much lower for 2013 than will be expected for 2014 or where lower income in 2014 will result in a higher tax credit for an individual who plans to purchase health insurance on a health exchange and is eligible for a premium assistance credit.
- Consider establishing or funding a retirement plan for the benefit of owners and other employees.
- If your business is an accrual basis entity, establish an employee bonus plan that will allow deduction of bonuses that can be paid up to 2 ½ months after the end of the year.

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Year-End Tips for Small Businesses:



- ⇒ Annual review of all business contracts including insurance policies, vendor contracts, and rental agreements.
- ⇒ Annual review of all business policies and procedures. It is always a good idea to periodically revisit office procedures, employee manuals, and internal control checklists to ensure an efficient and productive work environment.
- ⇒ Annual inspection of company facilities for repairs needed. Remember to check fire alarms batteries and change air filters.
- ⇒ Annual review of business security practices, including anti-virus software, computers back-

ups, and shredding policies.

- ⇒ Annual evaluation of professional advisors. Are you getting the most out of your professional and legal advisors?
- ⇒ Periodic review of supplies to minimize ordering time for single items. Consider bulk purchases for the upcoming year.
- ⇒ Review your client list to determine if fees should be adjusted or if clients should be fired.
- ⇒ Review your website presence and advertising campaigns. Consider ways to grow your business in the upcoming year. Perhaps schedule time to contact prospects in January.
- ⇒ Remember to take a year-end inventory count
- ⇒ Consider holiday gifts for clients and employees. It's a great way to thank clients for their loyalty and show appreciation for hard working employees. Don't forget the annual business gift limit.
- ⇒ Examine your business financials to identify areas of strengths and weaknesses.
- ⇒ Examine how well you met your goals in the last year and develop a strategy for this upcoming year. Remember to set realistic goals!

Contact your local Padgett office to discuss what tax planning strategies can benefit you!

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial 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 planning 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.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.