



ROUTE 422 BUSINESS TAX PLANNING AND PREPARATION SERVICES GUIDE

Behind Exciting Long-Term Business Growth is a Boring Bookkeeper...



By Beth Breslow, Breslow's Bookkeeping Business

The end of the year is a busy time for many reasons. Holidays, travel plans, and family visits consume most of our days starting in November through January 1. But as a small business owner, there is even more you have to handle at the end of the year.

Right now is the time of year when your business really needs your attention, especially in regards to accounting. Doing so not only helps you close out the current year on a high note, but it also sets you up for starting off the next year on the right foot.

Is your business on par with the following accounting tasks?

• **Monthly bank, credit card and loan reconciliations** — For the year-end, it is important to make sure what you show on your financial statements matches up with your bank and credit card accounts and your year-end statements.

• **Reconcile your accounts receivable and accounts payable** — There is a tendency to forget to collect on your invoices if you do not use invoicing software. Without a good collection system like Quickbooks, you may be missing out on money you are owed.

• **Gather and Organize Your Receipts** — It is important to gather and organize your business-related receipts. A shoebox full of receipts is the last thing your CPA wants to see. There are many apps available to download, which will simplify this.

• **Check Payroll** — A few common areas to watch out if you're worried about end of year accounting are withholding taxes for fringe benefits, deferred compensation, and end of year bonuses.

• **Collect W-9s** — Did you use vendors this year? If so, you will have to collect W-9 forms for some of them. The W-9 form can be used as a paper trail for the IRS to track your expenses.

For every vendor that you have spent \$600 or more for services, you are required by law to issue and complete a 1099 form. The 1099 must be filled out and sent to the IRS by January 31st.

• **Take Physical Inventory** — For some of you, there is no need to take physical inventory. For others, getting an accurate account of your inventory is important. You will want to match it with your end of year balance sheet. It will also be helpful for your bookkeeper, especially to know how much you have spent on inventory throughout the year and its current value.

If the above-mentioned tasks are a foreign language to you, or if you know that there is not enough time in the day to tackle this checklist, call Breslow's Bookkeeping Business at 215.272.5217 today; email: bethbreslow@gmail.com; and visit: www.breslowbookkeeping.com.

New Tax Savings for Your Business



**By Anthony Mazzo
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There's good news if you've purchased depreciable property for your business in 2018!

The Tax Cuts and Jobs Act (TCJA), which has reduced taxes across the board, has several new mechanisms to reduce taxes paid by small businesses that will be applicable for the upcoming tax filing season.

One of these mechanisms is depreciation.

Businesses have always been able to deduct the cost of tangible property placed into service with their business, over the useful life of the property.

There are positive changes effecting three types of tax depreciation, let's examine each type individually.

Section 179: The maximum amount a business can expense increases to \$1 million. The phase-out threshold amount increases to \$2.5 million. This means you can now deduct 100% of the cost of fixed assets placed into service in 2018, up to \$1 million.

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Utilizing a Bookkeeper vs. a Full Time Office Employee



SECTION 1031 CAN HELP ACCOMPLISH 2019 GOALS

As the year winds down, many of us are beginning our annual list of resolutions and evaluating our goals. For some, our goals might include the purchase of a vacation home, diversify our real estate portfolio, increase our revenue stream, retire and maybe even find more time to enjoy life. Yes, they all sound great but for those that currently own investment property, a 1031 exchange may help you accomplish these goals even sooner!

A 1031 exchange is a tax deferral strategy allowed under Section 1031 of the Internal Revenue Code. It provides that no gain or loss will be recognized on the exchange of real property held for use in a trade or business or for investment. The deferral includes the gain and depreciation recapture. A 1031 exchange is much like a sale followed by the acquisition of real property linked together by paperwork and completed with the required time periods. To maximize your tax deferral, you must acquire replacement property of equal or greater net value and net equity or pay tax on the difference. A qualified intermediary is an independent party that is required to facilitate your exchange.

Acquire a Vacation Home

Today's market conditions are providing incredible opportunities that may not be here when you are ready to buy a vacation home in a few years. While interest rates are starting to tick upwards, they are still near historic lows and make properties that were once out of reach now viable. While you cannot acquire a vacation home directly through a 1031 exchange, you can acquire a property that would be used as a rental for two years and then converted into your vacation home. Exchange an investment property for another rental in the resort area of your choice. Use the replacement property as a rental for at least two years while minimizing your personal use and then you can convert it to your vacation home.

Retire to a Warmer Climate

Similar to the strategy explained above, an investment property can be exchanged for a rental property that could be converted to your primary residence after two years. When selling the house you lived in before relocating, if you used it as your principal residence for at least 24 of the 60 months prior to the sale, you can exclude up to \$250,000 of gain if you are single / \$500,000 if married filing jointly.

Business Exit Strategy

If you own a business and are planning to retire, you may also own real estate used by your business. While the goodwill associated with your business cannot be deferred through Section 1031, the real estate can be exchanged for other real property. This allows you to defer the gain and depreciation recapture but also buy something that will eventually be your retirement home or second residence and/or create a new cash flow.



Let Our Exchange Professionals Help You Preserve Equity and Build Wealth

A 1031 exchange allows you to defer federal capital gains when selling and buying business use or investment property.

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Diversification of Properties

One of the great benefits of 1031 is the ability to diversify your properties to better fit your needs while creating a well-balanced real estate portfolio. Whether you wish to diversify the specific type of property or their geographic locations, 1031 can help you accomplish this goal.

Increased Cash Flow

Use 1031 to exchange your investment properties for replacement property with a greater return on investment. Whether the new property is newer, has more units or is closer to the water in a resort community, exchange up and enjoy your additional cash flow.

More Time to Enjoy Life

Anyone who has rental properties knows they can take quite a bit of your time to manage and maintain. If you have amassed significant real estate value, you might consider exchanging into a Triple Net Lease (NNN) property or Delaware Statutory Trust (DST) interest. A NNN requires the tenant to pay rent, as well as, some or all of the property expenses including real estate taxes, insurance, maintenance, repairs, utilities and other items. With this passive investment, you can get back to doing the things in life you enjoy.

Expand or Relocate your Business

Whether your current facilities are too big, too small or no longer in an ideal location, a 1031 exchange can help you relocate into that new, more desirable replacement property. The exchange allows you to defer the gain as well as the depreciation recapture so all your equity stays invested in real estate and working more efficiently for you. You can even use a 1031 exchange to split your equity towards multiple locations.

While you can no longer exchange tangible personal property, such as furniture, fixtures and equipment, and relinquishing them does create a taxable event, it is important to note that you would be eligible for 100% immediate expensing on the acquisition of new capital assets. This gives you the opportunity to relocate your business and replace equipment, fixtures and furniture to set yourself up for additional growth in 2019 and beyond.

Refinance to Accomplish Other Goals

To maximize your tax deferral in a 1031 exchange, you must reinvest all of the equity netted from the sale of your relinquished property. Fortunately, there is nothing to prevent you from refinancing after you complete your purchase which enables you to pull cash out tax-free. This cash can be used to accomplish many other objectives from making improvements to the new property, acquiring other real estate or diversifying your investment portfolio by investing in stocks, bonds or mutual funds. Some of this money could be used to pay college tuition for your child or grandchild, plan the vacation of your dreams or purchase the boat you always wanted.

Summary

Many investors are well aware that a 1031 exchange provides immediate tax deferral and is a great way to build your real estate portfolio. Unfortunately, many fail to realize that 1031 exchanges can also be used to help you accomplish many long-term investment objectives.

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NEW TAX SAVINGS FOR YOUR BUSINESS

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For amounts over \$1 million a partial deduction is available up to a phase out of \$3.5 million. Also, if the business has a loss in 2018 it can't use any of the section 179 depreciation in the current year, but this amount is carried over to the subsequent tax year.

And, the definition of what type of property qualifies for section 179 depreciation to include certain improvements to nonresidential real property placed in service after the date such property was first placed in service.

Bonus Depreciation: This amount has increased from 50% of the cost of property placed into service to 100% in 2018. Also, Bonus depreciation is available for both new and used properties. The only caveats to this is the property in question must be used at least 50% of the time for business and it must not be purchased from a related party.

Vehicle Depreciation: The cap placed on depreciation deductions for business-use vehicles has increased. The new higher limits apply to vehicles placed in service after 12/31/17 and meet certain criteria.

The information and examples in this article should not be considered tax advice. The new tax law is complex, and every business situation is unique.

To learn more about tax issues for both individuals and business, check out Tony's Tips on www.amazzoaccounting.com. Also, should you have any questions about this article, don't hesitate to give us a call at 610.775.9216.

Anthony Mazzo is owner of A Mazzo Accounting located in Kenhorst, PA. Tony assists many businesses with their accounting needs including payroll, bookkeeping and tax preparation. They also assist individuals with their tax preparation.

How To Find The Right Accountant For Your Small Business

Your business success depends on many factors. Managing your money well and understanding your finances are two of the most critical. Unless you are an accountant by trade, it is likely you will need some outside guidance and insight as you start and grow your company.

Getting help from an accountant can benefit your business in a number of ways:

- An accountant can inform you of legitimate ways to reduce your tax liability.
- An accountant can ensure you are aware of reporting requirements and deadlines. (If you are not in compliance, you might have to pay fines.)
- An accountant can assist you in filing your taxes (saving you time and sparing you headaches).
- An accountant can provide suggestions that might help you run your business more profitably.

Just as when you contract any other type of professional to help you move your business forward, you should be choosy when selecting an accountant.

Your first step should be to build a short list of accountants that you would consider 'partnering' with, because that is exactly what you are doing by hiring a business accountant.

SCORE suggests your list only include accountants and accounting firms that meet the following criteria:

- They have experience in your line of business.
- They reside in your state and/or city.
- They come highly recommended by someone or some source that you trust.
- They are large enough to handle your business requirements in a timely manner, BUT not too large to get to know you and your business on a personal level.

- They do tax work as well as weekly/monthly/quarterly/yearly reporting, according to acceptable accounting practices.

From this short list, you should set up interview meetings with each. For the interviews, you should develop a list of items, by which you wish to judge each candidate. Also apply a simple grading scheme to give candidates a score of 1-3 or 1-5 for each criterion. Include "price for service" among the judging criteria, but do not make it the number one factor when deciding on which accountant to hire. After all interviews are completed and all grading is reviewed, your top choices should be apparent.

If you need help creating your list of potential accountants, consider asking your local SCORE chapter or chamber of commerce for names of reputable professionals within your community.

Since 1964, SCORE "Mentors to America's Small Business" has helped more than 10 million aspiring entrepreneurs and small business owners through mentoring and business workshops. More than 11,000 volunteer business mentors in over 320 chapters serve their communities through entrepreneur education dedicated to the formation, growth and success of small businesses. For more information about starting or operating a small business, contact SCORE TriCounty. You can call 610.327.2673, email tricity@scorevolunteer.org or visit the website at www.tricity.score.org.



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