

wsrp

WSRP, LLC

Certified Public Accountants & Business Advisors

Background on WSRP

- The firm began in 1985 with 6 people.
- Now the firm has over 100 + professionals and one of the largest CPA firms in Utah.
- Offices in SLC, Lehi, Las Vegas, and Ogden shortly.
- We primarily serve clients in the middle markets (mid-size privately held)
- In September, we had 20 + professionals join our firm which allows us to serve SEC and public entities.

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Tax Extenders legislation passed!

On December 18th, Congress passed and President Obama signed into law numerous tax provisions that expired at the end of 2014.

“Protecting Americans from Tax Hikes” (PATH) Act of 2015

50 of so temporary tax provisions that are routinely extended by Congress on a 1 or 2 year basis were made permanent.

Business Tax Incentives

- 50% bonus depreciation on certain qualified property
 1. The tax life of the asset is 20 years or less;
 2. The property is “new” property
- 50% bonus depreciation (2015-2017)
- 40% bonus depreciation (2018)
- 30% bonus depreciation (2019)

Business Tax Incentives

- Sec. 179 Expensing Election
 1. Applies to tangible / personal property
 2. Income limitations, excess amounts carried forward to future years
- \$500K annual deduction
- \$2M phase-out limit

Business Tax Incentives

S-Corp built-in-gains-tax (BIG)

- C-Corp converts to S-Corp, the BIG applies for a 5 year period vs. 10 year period
- Clock starts on S-Corp effective date.
- Any appreciated assets sold within the 5 year window are subject to the BIG tax.

Business Tax Incentives

Research & Development Credit (R&D credit)

- 20% tax credit or 14% simplified research credit
- Qualified expenses
 - I. Wages from engineers and scientist performing the research
 - II. Supplies, materials used in testing
 - III. 65% of contract research to 3rd parties
- Eligible small businesses starting in 2016 can claim the R&D tax credit against AMT taxes and/or payroll taxes
 - AMT Taxes - \$50M or less in gross receipts
 - Payroll Taxes - \$5M or less in gross receipts

Individual Tax Incentives

- Child Tax Credit - \$1K credit per qualifying child under age 17
- Education Credit - \$2,500 post-secondary education – First 4 years
- Educator Expenses - \$250 for school teachers
- State and local sales taxes – election to deduct sales taxes vs. state income taxes

Individual Tax Incentives

- Exclusion of COD income on principal residence up to \$2M
- Deduct mortgage insurance premiums (AGI phase-out of \$110K)
- Higher education expenses, \$4K with (AGI phase-out of \$130K)
- Non-taxable IRA transfers to charities up to \$100K

Individual Tax Rates

- Long-term capital gains and qualified dividends get taxed at 20%
- Be aware of the net investment tax of 3.8% on certain types of portfolio income (interest, dividends, capital gains, passive income, etc.)
- The net investment tax applies with AGI over \$250K.

Nevada Commerce Tax

Effective July 1, 2015 (Due 45 days after June 30, 2016)

- Applies to business entities that have greater than \$4M in NV gross income.
- The tax rates vary from 0.051% to 0.331% depending on the industry.
- The tax is imposed on a separate entity basis.

Presentation of Deferred Income Taxes – ASC 740

In November 2015, the FASB issued final guidance that requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating the DTA/DTL's as current and noncurrent.

- All DTA/DTL's will be disclosed as non-current (i.e. Long-Term) on the balance sheet
- Companies no longer need to allocate valuation allowances between current and non-current
- Early adoption is permitted.
- Effective 2017 calendar-year public entities and 2018 for non-public entities.

Affordable Care Act (ACA)

Under the ACA large employers are required to provide information statements to employees and information returns to the IRS that contain details about employee's health coverage benefits.

The information-reporting requirements generally apply to large employers as defined under ACA (employers with at least 50 full-time equivalent employees)

- Effective January 1, 2015
- Reporting requirements – Filed electronically with IRS by March 31, 2016 or February 28, 2016 if paper filed. (IRS Forms 1095-C & 1094-C)
- ****IRS notice 2016-4 – Extends the date to June 30, 2016 or May 31, 2016 if paper filed****
- Potential penalties for not offering coverage to 70% of your full-time employees and their dependents in 2015 (After 2015 this threshold increases to 95%)
- A full time employee works 30 hours a week, per month on average.

Affordable Care Act (ACA)

What penalties apply to large employers?

Penalty for no coverage – IRC 4980H(a)

If a large employer does not offer coverage to their full-time employees and their dependents, employers face a penalty of:

\$2,000 x the total number of full time employees (FTE) if at least one FTE is receiving a premium tax credit through the marketplace.

*Risk Areas: Independent contractors, variable hour employees, seasonal employees

Affordable Care Act (ACA)

Penalty for unaffordable coverage – IRC 4980H(b)

If a large employer offers coverage to their full-time employees and their dependents, but the coverage is unaffordable to certain employees or does not provide minimum value, employers face a penalty of:

The lesser of \$3,000 x the number of FTEs receiving a premium tax credit or \$2,000 x the total number of FTEs.

Affordable Care Act (ACA)

Preparing to complete IRS Forms in 2016 – What you will need to complete the necessary forms.

Form 1095-C (Provided to the employee and filed with the IRS)

- Who is a FTE for each month.
- Identification information (names, addresses, SSN, etc.)
- Information on the health coverage offered by month, if any.
- Months the employee was enrolled in your coverage.
- The employees share of the monthly premium for lowest-cost self-only minimum value coverage.
- Months the employer met an affordability safe harbor with respect to the employee.
- If the employer offers a self-insured plan, information on covered employees by month.

Affordable Care Act (ACA)

Form 1094-C (Filed with the IRS)

- Identification information of employer.
- Information about whether you offered coverage to 70% of your FTE and dependents in 2015.
- Total number of 1095-C issued to employees.
- Information of group members. (Penalties are generally applied on a controlled group basis).
- FTE counts by month.
- Total employee counts by month.
- Transition Relief.

Where do we go from here?

- Broaden the base and lower the rate – What does that mean?
 - Lower the corporate tax rate from 35%
 - Eliminate the special interest deductions and exclusions