



51A Middle Street Newburyport MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: *Small Business Tax Guide*

#377424

Number of continuing education credit hours recommended for this course:

In accordance with the standards of the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

EA/OTRP: 10 (All States) IRS: Qualified Sponsor number: *FWKKO*.

CPA: 10 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE.51 PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

The owner of a small business who has a reasonable knowledge of tax issues can save a substantial amount of money. The *Small Business Tax Guide* keeps you informed of the tax rules, so that you can take advantage of what the law allows. To this end, the *Guide* covers such matters as vehicle expense deductions, accelerated depreciation, payroll tax requirements, the deductibility of fringe benefits, the home office deduction, tax considerations for a family business, and much more.

Course Content

Publication/Revision date: 4/29/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Fifty questions (multiple-choice).

Program Delivery Method: NASBA QAS Self-Study (interactive)

Subject Codes/Field of Study

NASBA (CPA), IRS: Taxes

Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: None. Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Identify the types of laws and how they are created.
- Specify the characteristics of the marginal tax rate.
- Describe how the constructive receipt concept works.
- Identify what constitutes a capital expense.
- Specify how to deal with start-up and organizational costs.
- Identify which business expenses can be immediately deducted.
- Recall the characteristics of tangible and intangible assets.
- Specify the various types of listed property.
- Describe the rules pertaining to Section 179 expensing.
- Specify the characteristics of depreciable assets.
- Specify the rules used to control the amount of net operating losses recognized.
- Specify the characteristics of contractors and employees.
- Recall how the Form W-4 is used.
- Recall the payroll tax requirements for a self-employed person.
- Specify the methods used to calculate payroll for employees.
- Identify the deposit schedules used to send payroll taxes to the government.
- Recall the circumstances under which the Form 941 must be filed.
- Recall the calculation method for the federal unemployment tax.
- Specify the tax implications of the various employee benefit types.
- Identify the factors that indicate whether an operation is a hobby activity.
- Recall the advantages and disadvantages of the various business entity types.
- Specify the tax issues pertaining to a partnership.
- Identify the types of entities that could be classified as a personal services corporation.
- Recall why the dividends received deduction is used.
- Specify how an S corporation can lose its status.
- Identify the tax issues related to a family-owned business.
- Recall the tests to see if the home office deduction can be used.
- Specify the methods used to determine the amount of the home office deduction.
- Identify the characteristics of the various types of acquisitions.
- Recall how appraisal rights are to be used in an acquisition.
- Specify the outcome of an asset acquisition.
- Identify the process for appealing an adverse examination report.
- Recall the contents of the Taxpayer Bill of Rights.

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2024 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Table of Contents

Chapter 1 - Tax Essentials	1
Introduction	1
The Sources of Tax Law	1
Statutory Law: Internal Revenue Code	1
Statutory Law: Treaties	2
Administrative Law: Treasury Regulations	2
Administrative Law: Revenue Rulings	3
Administrative Law: Revenue Procedures	4
Administrative Law: Private Letter Rulings	4
Administrative Law: Technical Advice Memorandums	4
Administrative Law: Notices	4
Administrative Law: Announcements	4
Tax Commentary	5
Judicial Interpretations	5
The Internal Revenue Service	6
Types of Taxes	6
The Marginal Tax Rate	7
The Nature of Income	8
Deductible Business Expenses	8
Timing of Business Expense Deductions	9
Common Business Expense Deductions	10
Absolutely Not Deductible Business Expenses	14
Vehicle Expense Deductions	14
The Standard Mileage Method	15
The Actual Expense Method	15
Commuting Costs	16
Tax Credits	16
Summary	17
Review Questions	18
Chapter 2 - Long-Term Business Assets	19
Introduction	19
The Nature of Long-Term Business Assets	19
Immediate Depreciation Methods	19
De Minimis Safe Harbor	19
Bonus Depreciation	20
Section 179 Expensing	22
The Recapture Rule	23
Regular Depreciation	24
Straight-Line Depreciation	25
Accelerated Depreciation	26
First-Year Depreciation Rules	27
Depreciation Reporting	28
Inventory Deductions	28
Tax Basis of Assets	28
Tax Advantages of Leasing Assets	30
Summary	30
Review Questions	31
Chapter 3 - Business Losses	32
Introduction	32

Loss Recognition by Owners	32
Loss Recognition by Incorporated Businesses	33
Summary	33
Review Questions.....	35
Chapter 4 - Payroll Issues	36
Introduction	36
Is Someone an Employee or a Contractor?	36
Employee Withholding Liability.....	37
The Independent Contractor Designation.....	37
People in Business for Themselves	39
Family Employees.....	39
Payroll Tax Withholdings	39
Social Security Tax.....	42
Medicare Tax.....	43
Wage Bracket Method	44
Percentage Method	45
Tax Deductions for the Self-Employed Person.....	47
Tax Remittances.....	47
Types of Tax Deposit Schedules.....	47
Monthly Deposit Schedule.....	48
Semiweekly Deposit Schedule.....	49
\$100,000 Next-Day Deposit Rule	49
Remittance Method	50
The Form 941 Quarterly Federal Tax Return.....	51
Federal Tax Deposit Penalties.....	55
Federal Unemployment Taxes.....	56
FUTA Tax Calculation	57
FUTA Tax Deposits.....	57
Summary	60
Review Questions.....	62
Chapter 5 - Fringe Benefits.....	63
Introduction	63
Adoption Assistance.....	63
Athletic Facilities	63
Cell Phones Provided by Employer.....	64
De Minimis Benefits	64
Disability Insurance.....	64
Educational Assistance.....	65
Employee Discounts.....	66
Flexible Spending Accounts.....	66
Health Savings Account	70
Life Insurance.....	71
Lodging on Business Premises.....	72
Meals	73
Medical Insurance	74
No-Additional-Cost Services	75
Pension Plans.....	77
Defined Contribution Plan	77
Defined Benefit Plan.....	78
Personal Retirement Account.....	78
Retirement Planning Services	79
Stock Options	79
Transportation Benefits	81

Working Condition Benefits	81
Vehicles	82
Education	83
Outplacement Services.....	83
How to Value Benefits	83
Cents per Mile.....	83
Commuting	84
Lease Value.....	85
Unsafe Conditions Commuting.....	87
Rules for Withholding, Depositing, and Reporting Benefits.....	87
Taxability of Benefits.....	88
Summary	89
Review Questions.....	90
Chapter 6 - Types of Business Entities.....	91
Introduction	91
Sole Proprietorship.....	91
Advantages and Disadvantages.....	92
General Partnership	93
Family Partnerships	94
The Partnership Agreement	94
Partnership Elections	95
Original Basis and Adjusted Basis.....	95
Inside Basis vs. Outside Basis.....	95
Partnership Taxation	96
Partnership Tax Year	97
Guaranteed Payments.....	97
Contributed Services.....	97
Property Contributions.....	97
Related-Party Transactions	97
Sale or Exchange of Partnership Interests.....	97
Partnership Distributions	98
Partnership Liquidations	98
Partnership Termination.....	98
Advantages and Disadvantages.....	98
Limited Partnership	99
Advantages and Disadvantages.....	99
C Corporation.....	99
Personal Service Corporations.....	100
Start-Up Expenses.....	100
Organizational Expenses.....	101
Inventory Treatment.....	101
Capital Gains and Losses	102
Dividends Received Deduction.....	102
Charitable Contributions	102
Accumulated Earnings Tax.....	102
Corporation Termination	103
Tax Return	103
Advantages and Disadvantages.....	103
Limited Liability Company	104
Advantages and Disadvantages.....	105
S Corporation	105
Requirements to Form an S Corporation	105
Payroll Tax Reduction	106
Shareholder Basis	106

Income Distributions.....	108
Property Distributions.....	108
The Sale of S Corporation Stock.....	108
Termination of S Corporation Status	108
S Corporation Liquidation	109
The Annual S Corporation Tax Return	110
Advantages and Disadvantages.....	110
Business Type Comparison	112
Summary	114
Review Questions.....	115
Chapter 7 - Tax Considerations for a Family Business.....	116
Introduction	116
The Legal Structure	116
Family Business Tax Issues	116
Summary	117
Review Questions.....	118
Chapter 8 - The Home Office Deduction	119
Introduction	119
Definition of a Home.....	119
Qualifying for a Deduction.....	119
Exclusive Use Test.....	120
Regular Use Test.....	120
Trade or Business Use Test.....	121
Principal Place of Business Test	121
Additional Qualification Scenarios.....	123
Calculating the Deduction	124
Deducting Actual Expenses	124
Deducting Using the Simplified Method	130
Deduction for a Daycare Facility	134
Sale or Exchange of the Home	136
Worksheets to Derive the Home Office Deduction.....	136
How to Take the Home Office Deduction.....	138
Recordkeeping Recommendations	140
Summary	140
Review Questions.....	141
Chapter 9 – Merger and Acquisition Tax Issues.....	142
Introduction	142
Tax Issues in an Acquisition	142
Tax Issues for the Seller.....	142
Tax Issues for the Acquirer.....	143
Issues with Stock Purchases.....	143
General IRS Requirements to Avoid Gain Recognition.....	144
The Type “A” Acquisition	144
The Type “B” Acquisition.....	145
The Type “C” Acquisition.....	145
The Type “D” Acquisition	146
Triangular Mergers.....	146
The Triangular Merger.....	147
The Reverse Triangular Merger.....	147
The Asset Acquisition	147
Summary	148

Chapter 10 - Problems with the IRS	151
Introduction	151
IRS Audits	151
Appealing an Audit Finding.....	152
Taking Your Case to Court.....	152
The Need for Recordkeeping	153
The Need for Tax Advice.....	154
Actions to Take	154
Tax Collector Actions	155
The Separation Between Personal and Business Assets	156
Dealing with Large Tax Bills	156
The Taxpayer Bill of Rights.....	157
Summary	158
Review Questions.....	159
Answers to Chapter Questions	160
Glossary	170
Index	173