



CHECKLIST OF PLANNING MOVES FOR BUSINESSES & BUSINESS OWNERS

Businesses should consider making expenditures that qualify for the business property expensing option. For tax years beginning in 2013, the expensing limit is \$500,000 and the investment ceiling limit is \$2,000,000. And a limited amount of expensing may be claimed for qualified real property. However, unless Congress changes the rules, for tax years beginning in 2014, the dollar limit will drop to \$25,000, the beginning-of-phase-out amount will drop to \$200,000, and expensing won't be available for qualified real property. The generous dollar ceilings that apply this year mean that many small and medium sized businesses that make timely purchases will be able to currently deduct most if not all their outlays for machinery and equipment. What's more, the expensing deduction is not prorated for the time that the asset is in service during the year. This opens up significant year-end planning opportunities.

Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year. This bonus write-off generally won't be available next year unless Congress acts to extend it. Thus, enterprises planning to purchase new depreciable property this year or the next should try to accelerate their buying plans, if doing so makes sound business sense. Nail down a work opportunity tax credit (WOTC) by hiring qualifying workers (such as certain veterans) before the end of 2013. Under current law, the WOTC won't be available for workers hired after this year. Make qualified research expenses before the end of 2013 to claim a research credit, which won't be available for post-2013 expenditures unless Congress extends the credit.

If you are self-employed and haven't done so yet, set up a self-employed retirement plan.

Depending on your particular situation, you may also want to consider deferring a debt-cancellation event until 2014, and disposing of a passive activity to allow you to deduct suspended losses.

If you own an interest in a partnership or S corporation you may need to increase your basis in the entity so you can deduct a loss from it for this year.

A WORD OF CAUTION

As always, year-end tax planning doesn't occur in a vacuum. It must take into account each taxpayer's particular situation and planning goals, with the aim of minimizing taxes to the greatest extent possible. While many taxpayers will come out ahead by following the traditional approach of for deferring income and accelerating expenses, others, including those with special circumstances, should consider their options carefully. In such situations, taxpayer should keep in mind that most traditional techniques for deferring income and accelerating expenses can be reversed to achieve the opposite effect.

The logo for dm-t, featuring the lowercase letters 'dm-t' in a bold, serif font.

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