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Memo

To: **All Clients- Merry Christmas**

From: Gregory Barford

Date: 12/4/15

Subject: Business Income Tax Planning for 2015

As 2015 draws to a close, there's still time to put many tax planning strategies to work. Contact us to discuss your tax outlook and develop a customized approach designed to address your business's unique financial issues. This memo explores some of the year-end planning considerations that affect business in general.

Equipment Purchases and Code Sec. 179 Expense Deduction and Bonus Depreciation

The purchase of equipment and other fixed assets can lower your tax burden for 2015. However, at this point in time, the section 179 deduction (write off most of fixed asset purchases in one year) is only $25,000 compared to $500,000 for 2014. Congress wants to retain the $500,000 limit for 2015, and the president has said he is willing to do something, but there is no meeting of the minds yet. This process of increasing the section 179 deduction along with other popular tax breaks to 2015 is called tax extenders. The current political situation and the president's hostility towards small business makes the section 179 deduction and bonus depreciation deduction for 2015 up in the air at this point.

Deferring or Accelerating Revenue and Expenses

Since each taxpayer has a different accounting method; cash versus accrual, it is important to contact our office for further details to minimize year end taxes. Nevertheless, here are some guidelines:

Cash Basis Taxpayers

Pay as many expenses as you can before 12/31/15. Yearend bonuses to employees should be paid before 12/29/15 in QuickBooks payroll to get the deduction for 2015. Where practical, delay collection of your revenue until after 1/1/16.

Accrual Basis Taxpayers

Be sure to include all of your expenses in accounts payable using a date of 12/31/15. Keep in mind; you can enter expenses well into 2016 using a 12/31/15 date. Our office can accrue yearend bonuses to your staff for 2015 paid in 2016, so there is no need to have staff bonuses paid in 2015.

Basis to Deduct to Business Losses

We may have some of our clients with losses from their business in 2015. In order to deduct these losses, you must have basis in your company. Therefore, we may ask clients' with losses in their business to temporarily lend money to the company by 12/31/15, so these business losses can be deducted on their 2015 tax returns.

Contact our office for further details: 301-865-4648 or gab@gabcpa.com