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2014 BUSINESS YEAR-END PLANNING CHECKLIST

- Businesses should buy machinery and equipment before year end and, under the generally applicable "half-year convention," thereby secure a half-year's worth of depreciation deductions for the first ownership year.
- Although the business property expensing option is greatly reduced in 2014 (unless legislation changes this option for 2014), don't neglect to make expenditures that qualify for this option. For tax years beginning in 2014, the expensing limit is $25,000, and the investment-based reduction in the dollar limitation starts to take effect when property placed in service in the tax year exceeds $200,000.
- Businesses may be able to take advantage of the "de minimis safe harbor election" (also known as the book-tax conformity election) to expense the costs of inexpensive assets and materials and supplies, assuming the costs don't have to be capitalized under the Code Sec. 263A uniform capitalization (UNICAP) rules. To qualify for the election, the cost of a unit-of-property can't exceed $5,000 if the taxpayer has an applicable financial statement (AFS; e.g., a certified audited financial statement along with an independent CPA's report). If there's no AFS, the cost of a unit of property can't exceed $500. Where the UNICAP rules aren't an issue, purchase such qualifying items before the end of 2014.
- A corporation should consider accelerating income from 2015 to 2014 where doing so will prevent the corporation from moving into a higher bracket next year. Conversely, it should consider deferring income until 2015 where doing so will prevent the corporation from moving into a higher bracket this year.
- A corporation should consider deferring income until next year if doing so will preserve the corporation's qualification for the small corporation alternative minimum tax (AMT) exemption for 2014. Note that there is never a reason to accelerate income for purposes of the small corporation AMT exemption because if a corporation doesn't qualify for the exemption for any given tax year, it will not qualify for the exemption for any later tax year.
- A corporation (other than a "large" corporation) that anticipates a small net operating loss (NOL) for 2014 (and substantial net income in 2015) may find it worthwhile to accelerate just enough of its 2015 income (or to defer just enough of its 2014 deductions) to create a small amount of net income for 2014. This will permit the corporation to base its 2015 estimated tax installments on the relatively small amount of income shown on its 2014 return, rather than having to pay estimated taxes based on 100% of its much larger 2015 taxable income.
- If your business qualifies for the domestic production activities deduction for its 2014 tax year, consider whether the 50%-of-W-2 wages limitation on that deduction applies. If it does, consider ways to increase 2014 W-2 income, e.g., by bonuses to owner-shareholders whose compensation is allocable to domestic production gross receipts. Note that the limitation applies to amounts paid with respect to employment in calendar year 2014, even if the business has a fiscal year.
- To reduce 2014 taxable income, consider deferring a debt-cancellation event until 2015.
- To reduce 2014 taxable income, consider disposing of a passive activity in 2014 if doing so will allow you to deduct suspended passive activity losses.
- If you own an interest in a partnership or S corporation consider whether you need to increase your basis in the entity so you can deduct a loss from it for this year.