

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Will your business be affected by the tax changes?
- Fairness or Folly
- Reliable referrals
- Details on our Insider's Circle Membership
- Insider's Circle call-in times

INSIDE THIS ISSUE:

Changes in Business Deductions	1
Is Tax Reform Fairness or Folly?	2
Looking for Someone You Can Rely On?	2
Who Else Wants to Say Goodbye to Hourly Rates?	3
Call-in Times	4

Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

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CHANGES IN BUSINESS DEDUCTIONS

Change is the watch word with the passage of the sweeping tax reform law commonly known as the Tax Cuts and Jobs Act. This legislation is the most comprehensive tax overhaul in over three decades.

Meals and Entertainment Deduction Limited

Under current law, a taxpayer may deduct up to 50% of the cost of meals and entertainment. Housing and meals provided for the convenience of the employer on the business premises of the employer are excluded from the employee's gross income.

New law. Deductions for entertainment expenses are disallowed for amounts incurred or paid after December 31, 2017, eliminating the subjective determination of whether such expenses are sufficiently business related. The current 50% limit on the deductibility of business meals is expanded to meals provided through an in-house cafeteria or otherwise on the premises of the employer.

For tax years beginning after December 31, 2025, an employer's deduction for expenses associated with meals provided for the convenience of the employer on the employer's business premises or provided on or near the employer's business premises through an employer-operated facility that meets certain requirements will be disallowed.

Sexual Harassment Settlement Deduction Disallowed

A taxpayer is generally allowed to deduct ordinary and necessary expenses paid or incurred in carrying on any trade or business. Certain exceptions include illegal bribes, illegal kickbacks, other illegal payments, certain lobbying and political expenses, any fine or similar penalty paid to a government for the violation of any law, and two-thirds of treble damage payments under the antitrust laws.

New law. Effective for amounts paid or incurred after December 22, 2017, no deduction is allowed for any settlement, payout, or attorney fees related to sexual harassment or sexual abuse if such payments are subject to a nondisclosure agreement.

Family and Medical Leave Credit Added

Previously, no credit was provided to employers for compensation paid to employees while on leave.

New law. For wages paid in tax years beginning after December 31, 2017, but not beginning after December 31, 2019, businesses will be allowed to claim a general business credit equal to 12.5% of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave (FMLA) if the rate of payment is 50% of the wages normally paid to an employee. The credit is increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%. To qualify for the credit, all qualifying full-time employees must be given at least two weeks of annual paid family and medical leave (all less than full-time qualifying employees must be given a commensurate amount of leave on a pro rata basis).

Business Interest Deduction Limited

Subject to some limitations, interest paid or accrued by a business is generally deductible in the computation of taxable income. For a non-corporate taxpayer, the deduction for interest on debt that is allocable to property held for investment (investment interest) is limited to the taxpayer's net investment income for the tax year.

A deduction for interest may be disallowed for a corporation if the payor's debt to equity ratio exceeds 1.5 to 1 and the payor's net interest expense exceeds 50% of its adjusted

Continued on page 2 ➔

Changes in Business Deductions—*continued from page 1*

taxable income (generally, taxable income computed without regard to the deductions for net interest expense, net operating losses, domestic production activities, depreciation, amortization, and depletion).

New law. For tax years beginning after December 31, 2017, every business, regardless of its form, is generally subject to a disallowance of an interest expense deduction in excess of 30% of the business's adjusted taxable income. The net interest expense disallowance is determined at the tax filer level. However, a special rule applies to pass-through entities, which requires the determination to be made at the entity level, for example, at the partnership level instead of the partner level.

For tax years beginning after December 31, 2017, and before January 1, 2022, adjusted taxable income is computed without regard to deductions allowable for depreciation, amortization, or depletion.

The amount of any business interest not allowed as a deduction for any taxable year is treated as a business interest paid or accrued in the succeeding taxable year. Business interest may be carried forward indefinitely, subject to certain restrictions applicable to partnerships.

An exemption from these rules applies for taxpayers with average annual gross receipts for the three-tax year period ending with the prior tax year that do not exceed \$25 million. Real property trades or businesses can elect out of the provision if they use ADS to depreciate applicable real property used in a trade or business. Farming businesses can also elect out if they use ADS to depreciate any property used in the farming business with the recovery period of 10 years or more. An exception from the limitation on the business interest deduction is also provided for floor plan financing (i.e., financing for the acquisition of motor vehicles, boats, or farm machinery for sale or lease and secured by such inventory).

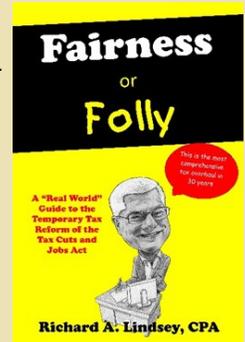
The limit on the amount allowed as a deduction for business interest is increased by a partner's distributive share of the partnership's excess taxable income. The excess taxable income for any partnership is the amount which bears the same ratio to the partnership's adjusted taxable income as the excess (if any) of 30% of the adjusted taxable income of the partnership over the amount (if any) by which the business interest of the partnership, reduced by floor plan financing interest, exceeds the business interest income of the partnership bears to 30% of the adjusted taxable income of the partnership. As a result, a partner of a partnership can deduct additional interest expense the partner may have paid or incurred to the extent the partnership could have deducted more business interest. Excess taxable income is allocated in the same manner as non-separately stated income and loss. Similar rules apply to S corporations.

In the case of a partnership, any business interest that is not allowed as a deduction to the partnership for the tax year is allocated to each partner in the same manner as non-separately stated taxable income or loss of the partnership. The partner may deduct its share of the partnership's excess business interest in the future year, but only against excess taxable income attributed to the partner by the partnership activities which gave rise to the excess business interest carryforward. Any such deduction requires a corresponding reduction in excess taxable income. In addition, when excess business interest is allocated to a partner, the partner's basis in its partnership interest is reduced (but not below zero) by the amount of such allocation, even though the carryforward does not give rise to a partner deduction in the year of the basis reduction. However, the partner's deduction in a future year for interest carryforward does not reduce the partner's basis in the partnership interest. *

Is Tax Reform Fairness or Folly?

Congress and the IRS keep things all stirred up. Nothing stays the same. The tax laws are full of rules, exceptions to the rules, rules that become effective on the third Thursday in March and expire on the last Tuesday in November, rules that apply in special, limited circumstances, rules that applied last year, but not this year. So many rules it can make your head spin.

"Fairness or Folly" by Richard A. Lindsey, CPA is your "Real World" guide to the temporary tax reform changes brought about by the Tax Cuts and Jobs Act. The book explores many of the numerous changes in the tax code in an easy to read manner. It's not designed to help you become a tax expert, but to start the conversation between us.



"Fairness or Folly" is available from Amazon.com or Lindsey & Waldo. For your copy, call 251-633-4070 or email us at taxpert@CPAMobileAL.com. *

Looking for Someone You Can Rely On?

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- ◆ Identity Theft Protection
- ◆ Air Conditioning
- ◆ Custom Metal Fabricator
- ◆ Home Inspector
- ◆ Banker
- ◆ Realtor
- ◆ Auto / Home Insurance
- ◆ Mortgage Broker
- ◆ Welding Supplies
- ◆ Financial Advisor
- ◆ Port Facility
- ◆ Pest Control
- ◆ Cultured Marble
- ◆ Custom Monogramming
- ◆ Cell Phone and Tablet Repair
- ◆ Printer
- ◆ Electrician
- ◆ QuickBooks Advisor



For business owners, entrepreneurs, professionals, and plain, regular hard-working-folks

Who Else Wants to Say Goodbye to Hourly Rates?

Getting your tax return prepared probably ranks right up there with going to the dentist. (No offense to my dentist friends out there.) Some of you hate to do it, but want to go ahead and get it done; others put it off until the last minute, or beyond. The annual ritual of gathering all your tax papers, notebooks, checkbooks and receipts can be annoying and bothersome, at the least. It can be aggravating and a hassle. Let's face it; it's a chore that often gets on your nerves.



And it's here again!

If the tax laws didn't keep changing on you it might be easier. Like when you took European History in school, once you were done with it, you'd learned it and European History wasn't going to change after that.

But nooooo!

Congress and the IRS keep things all stirred up. Nothing stays the same. The tax laws are full of rules, exceptions to the rules, rules that become effective on the third Thursday in March and expire on the last Tuesday in November, rules that apply in special, limited circumstances, rules that applied last year, but not this year. So many rules it can make your head spin.

If the changing tax laws don't have you confused, you've either:

1. Made a vow of poverty and don't care,
2. Buried your head in the sand hoping you wouldn't get hurt too bad, or
3. Been secretly studying to replace Orrin Hatch on the Senate Finance Committee.

It's not your fault. In fact, you do what you can to keep up with the changes, you listen to the news, read the paper, maybe even follow the pontifications of Glen Beck, Sean Hannity, or Laura Ingraham, but when Congress buries tax provisions deep inside bills twice the length of *War and Peace*, it's a wonder anybody can figure it out.

But wait. Take a deep breath and relax. We're about to take aim at this confusion, blow away the smoke, and make things as simple as possible.

First, we must clear away some smoke.

You know taxes are important. You don't *want* to pay any more than you must, but you don't have the time or the inclination to do everything it would take to keep them at their lowest. So, you make the wise choice; you hire the best expert you can find! After all, no one seeks advice from the wise man at the bottom of the mountain.

Of course, as everyone knows, experts don't come cheap! Many legal and tax experts charge \$450 to \$575 per hour, or more! (Richard's standard rates are a more modest \$320 an hour.)

By joining Lindsey's Insider Circle, business owners, entrepreneurs, professionals, and plain, regular, hard-working folks get one-on-one access to one of the world's elite tax experts, Richard Lindsey, without worrying about how many ticks of the clock go by or how much the "hourly rate" is. Hourly rates are for others.

Now, let's make it simple.

As a Gold Member of Lindsey's Insider Circle, your tax advisory and preparation fees are guaranteed to be no more than last year's fees for this year and next! You can "lock in" your tax advisory and preparation fees on your 2017 and 2018 tax returns at 2016 prices. No increases for three years! You have my personal "Lock-It-In-Tight Guarantee."

You will be appointed to one of our team of tax specialists – led by Richard Lindsey – who will go through your tax information with a fine-tooth comb, hunting for opportunities. We've got a stellar track record of helping thousands of business and individual taxpayers save more on their taxes than they thought possible. As always, at Lindsey & Waldo, you have our exclusive, written, "Never-Worry-About-Your-Taxes-Again" guarantee.

With your Gold Membership you get next year's federal and state(s) income tax return(s) prepared and filed, your world-class bound reference copy, and your CD archive. Plus, you get these FREE bonuses:

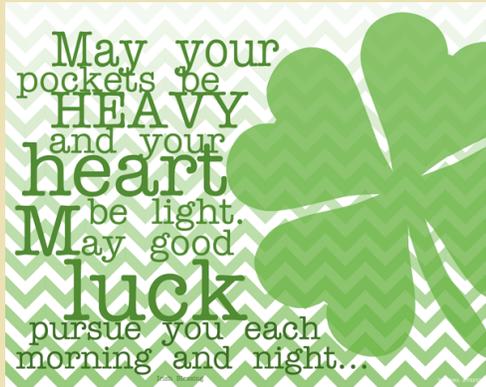
- Special "Member Only" open call in consultation times with Richard or Paula (a \$975 value)
- Unlimited e-mail questions (a \$975 value)
- Priority Front-of-the-Line Service (great if you're bumping up against a deadline or simply leaving town) (a \$79 value)
- Complimentary dependent's tax returns (a \$275 value)

That's \$2,304 in additional value, WITHOUT any increase in costs. Say goodbye to hourly rates! No more worries about the clock ticking when you email us questions... or if you prefer, save them up for the special call in times reserved just for you. **Continued on back cover ➔**



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To be removed from our mailing list, call/email us:
(251) 633-4070 or info@CPAMobileAL.com.

Who Else Wants to Say Goodbye to Hourly Rates? - *continued from page 3*

Richard will be blocking off his calendar during those reserved times and not taking any other calls or appointments. MEMBERS ONLY!

As a Gold Plus Member, you add unparalleled identity theft protection through LegalShield®'s Identity Theft Plan. Identity theft affects millions of Americans each year. In just minutes, identity theft causes financial damage and emotional harm that can take years to recover from. LegalShield® Identity Theft Protection will equip you with the information and expertise you need to help protect yourself, and your family, against identity theft and resolve issues related to it.

If identity theft ever does occur, LegalShield® has partnered with the world's leading identity theft consulting company, Kroll®, to restore your identity. So, no matter what happens, you'll have the best coverage possible and be empowered to worry less and live more.

Gold Plus Membership investment is a low \$20 per month, in addition to your Gold Membership.

As a Diamond Member, you'll get all the Gold and Gold Plus Membership benefits, plus you'll get "sleep-like-a-log" peace of mind, knowing the Lindsey & Waldo team is on your side when dealing with any "routine" income tax notice or inquiry from the taxing authorities. (They're anything but routine, aren't they?) Plus, you'll get 4 hours of Richard or Paula's expertise to use as you'd like. Call on us to help get a new business started, for tax planning, or to stand up for you in one of those nasty IRS audits. The 4 hours are banked immediately—you can use them all at once or spread out over the course of the year.

Your Diamond Membership benefits are valued at \$1,945 over and above your Gold Member benefits. Diamond Membership investment is a low \$50 per month, in addition to your Gold Membership.

Your annual membership will automatically continue unless cancelled. Your annual membership rate could go up or down, after the first two

years, depending on changes in the complexity of your returns and Lindsey & Waldo's standard rates and fees. Should you decide to cancel your membership, you can do so at any time by calling Lindsey's Insider Circle at 251-633-4070 or faxing a cancellation note to 251-633-4071. No hassles, guaranteed! It's impossible for you to lose. You have our personal "No Hassle, Double Guarantee": (1) Your membership investment is guaranteed not to exceed your current tax preparation and advisory fees, and (2) should you decide to cancel your membership – NO hassles, guaranteed!

Request your Enrollment Application by contacting us today. You may call 251-633-4070, fax 251-633-4071, or email info@CPAMobileAL.com. *

This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 3/19/18 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.

Not a member yet? Find out how to become one TODAY!