

Tax planning for businesses

It's never too early to start thinking about tax planning for your business. Getting an early start instead of waiting until year-end gives you more time to speak with your tax advisor and work through any issues that need to be resolved or any questions you may have. And the sooner your company's tax returns are filed, the sooner you can expect them to be processed by the IRS. Use this checklist to help you prepare to tackle your business taxes.

- Consider purchasing fixed assets and placing them into service now.** The 2022 tax year is the last tax year for which businesses can depreciate 100% of the basis of qualified property during the first year of ownership. This expanded federal bonus depreciation will drop to 80% in 2023.
- Understand changes to expensing research and development.** Starting with the 2022 tax year, R&D can no longer be expensed immediately. U.S.-based R&D expenses must be capitalized and amortized over five years; international expenses must be capitalized over 15 years.
- Assess any assets purchased during this year.** Take steps to position your company to capture expanded bonus depreciation or otherwise reduce your tax burden, and plan for future tax years.
- Consider retirement plan enhancements.** Employers have until the company's income tax return deadline to adopt or modify a plan that can be treated as if adopted on December 31 of the tax year.
- If applicable, take steps to maximize your qualified business income (QBI) deduction.** For example, it may make sense to pay bonus wages to employees during the current calendar year, or to otherwise change timing and distribution of income.
- Decide whether to update your Transfer Pricing Study.** If your company makes transactions between entities it controls, you likely need a regularly updated Transfer Pricing Study to demonstrate they are priced "at arm's length."
- Continue to monitor ongoing tax situations with the IRS.** IRS backlogs mean many situations have been unresolved for years to months; discuss with your tax team if there are ways you can minimize the ramifications of these delays.
- Confirm you have necessary financial records for contractors and employees.** Gather mileage logs and expense reimbursements, and prepare 1099s or other tax reporting.
- Meet with your internal accounting and/or bookkeeping team.** Your team should gather documentation, including depreciation schedules for equipment and assets, employment tax documentation (such as W-9s and I-9s), and payroll reports.
- Schedule a meeting with your tax advisor.** Contact your Kaufman Rossin tax professional before year-end to discuss tax planning for your business.