

Business Tax Answer Book

2010 Edition

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Preface

The *Business Tax Answer Book* is designed to help small business owners, attorneys, accountants, and other small business advisors to understand and comply with the myriad of ever-changing tax rules. Whether a business is just starting up or has been in existence for years, whether it is a sole proprietorship, partnership, corporation, or limited liability company, this book will provide, in simple, no-nonsense language, answers to the key questions regarding the business's income and payroll tax liabilities. Inside you will find the answers to such questions as:

- What are the tax advantages and disadvantages of operating a business as a corporation?
- When can a business use the simple, cash method of accounting to report income and claim deductions?
- When can a business owner deduct the cost of "commuting"?
- Who can claim the new, generous, first-year depreciation allowance?
- Which employee fringe benefits qualify for favorable payroll tax treatment?
- What pitfalls should business owners avoid when borrowing money from their businesses?
- What is the key tax benefit of S corporation status?
- What is a medical savings account and how does it help small businesses reduce employee health care costs?

Planning Pointers, located throughout the book, highlight practical steps to take to reduce taxes with a minimum of time and trouble. Citations to authority are provided as research aids for those who need to pursue particular items in greater detail.

The appendices contain a tax calendar for use in 2010. The calendar provides key filing and payment deadlines for income and payroll tax purposes. Also included in the appendices are key tax facts for filing 2009 tax returns (e.g., inflation-adjusted depreciation limits for business cars) and tax-saving checklists.

Highlights of the 2010 Edition

The 2010 Edition of the *Business Tax Answer Book* reflects all of the latest tax law changes, including the Worker, Retiree, and Employer Recovery Act of 2008 (P.L. 110-458) and the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

The 2010 *Business Tax Answer Book* also brings the reader up to date on the latest court decisions and rulings and regulations from the IRS. Here are just some of the new developments reflected in this edition.

- New filing extension deadline for partnerships (Chapter Two);
- New relief for partnerships converting to S corporations (Chapter Four);
- New guidance on employers' deductions for medical reimbursement plans (Chapter Nine);
- A new IRS ruling on medical benefits provided to the children of divorced parents (Chapter Nine);
- A liberalization of the rules governing "high-deductible" health plans used in conjunction with health savings accounts (Chapter Nine);
- Guidance on how employers recoup their outlays under the new COBRA subsidy program (Chapter Nine);
- A new Tax Court victory for businesses that rent equipment and machinery from their owners (Chapter Twelve);
- New flexibility for small businesses filing Form 944, the annual employment tax return (Chapter Fourteen); and
- New procedures for correcting prior underpayments or overpayments of employment taxes (Chapter Fourteen).

The 2010 *Business Tax Answer Book* also provides new or expanded coverage in a number of areas, including:

- Partnership liquidations;
- Corporate charitable contributions;
- Not-for-profit activities; and
- The National Taxpayer Advocate.

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How to Use This Book

Business Tax Answer Book is designed for practitioners who need quick and authoritative answers to questions concerning the tax rules affecting business entities. This book uses simple, straightforward language. The question and answer format, with its breadth of coverage, effectively conveys the complex tax rules related to operating a business. In addition, the book provides an extensive index.

List of Questions. A detailed list of questions follows the table of contents in front of the book in order to help the reader locate areas of immediate interest. This list provides both the question number and the page number on which the question appears. A series of subheadings help to group and organize the questions by topic within each chapter.

Question Numbers. The questions are numbered consecutively within each chapter (e.g., Q 2:1, Q 2:2, Q 2:3).

Index. At the back of the book is an index provided as a further aid to locating specific information. All references are to question numbers rather than page numbers.

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