

# Small Business Update 2025



Our goal today

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Resonates

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Inspires

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Massive ACTION



# AGENDA

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- ✓ Tax Changes that Impact Small Businesses in 2025
- ✓ Types of Business Entities & Most Efficient for You
- ✓ Key Forms to Know & Compliance Issues

# Key Tax & Cuts Jobs Act Policies in Battle

Trump signed the TCJA into law in 2017, during his first presidential term, bringing about a major tax-law overhaul for individuals and businesses. *The law's changes included:*

- ✓ Nearly doubling the standard deduction for individuals
- ✓ Eliminating personal exemptions
- ✓ Capping the state and local tax (SALT) deduction at \$10,000
- ✓ Lowering tax rates across most tax brackets
- ✓ Expanding the child tax credit to \$2,000, from \$1,000
- ✓ **Eliminating the QBI**
- ✓ **Bonus Depreciation**

# Key Tax Provisions Affecting Small Businesses

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- ✓ **20% Pass-Through Deduction (QBI Deduction)**
  - Allows sole proprietors, partnerships, S-corps, and LLCs to deduct up to **20% of qualified business income (QBI)**.
- ✓ **Lower Corporate Tax Rate (permanent)**
  - C Corporations now have a flat **21% tax rate** (down from a graduated rate up to 35%)
- ✓ **Bonus Depreciation**
  - 100% bonus depreciation for new & used assets (phasing out starting 2023, 2024 =80%, 2025=60%).
- ✓ **Changes to Net Operating Losses (NOLs)**
  - NOLs can only offset **80% of taxable income**, and carrybacks were eliminated (except in special cases).
- ✓ **Stricter Limits on Meals & Entertainment Deductions**
  - Meals remain 50% deductible
  - 100% Deductible Expenses: Includes holiday parties, open house meals, and certain business-critical meals.
  - 50% Deductible Expenses: Includes client meals, business travel meals, and food for in-office meetings.

# Expiring Provisions - TCJA

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- ✓ The **20% QBI deduction** is set to expire in 2025 unless extended by Congress.
  - **Impact:** Higher taxable income for pass-through businesses (LLCs, S-corps, sole proprietors, partnerships).
  - **Planning Tip:** Consider accelerating income into 2024-2025 to take advantage of the deduction while it lasts.
- ✓ **Bonus depreciation:**
  - Phasing down from 100% (2018-2022)
    - 80% in 2023
    - 60% in 2024
    - 40% in 2025
    - 20% in 2026
  - **Impact:** Smaller immediate deductions for large asset purchases.
  - **Planning Tip:** Buy and place assets in service before the bonus depreciation drops further

## Tax Impact Comparison

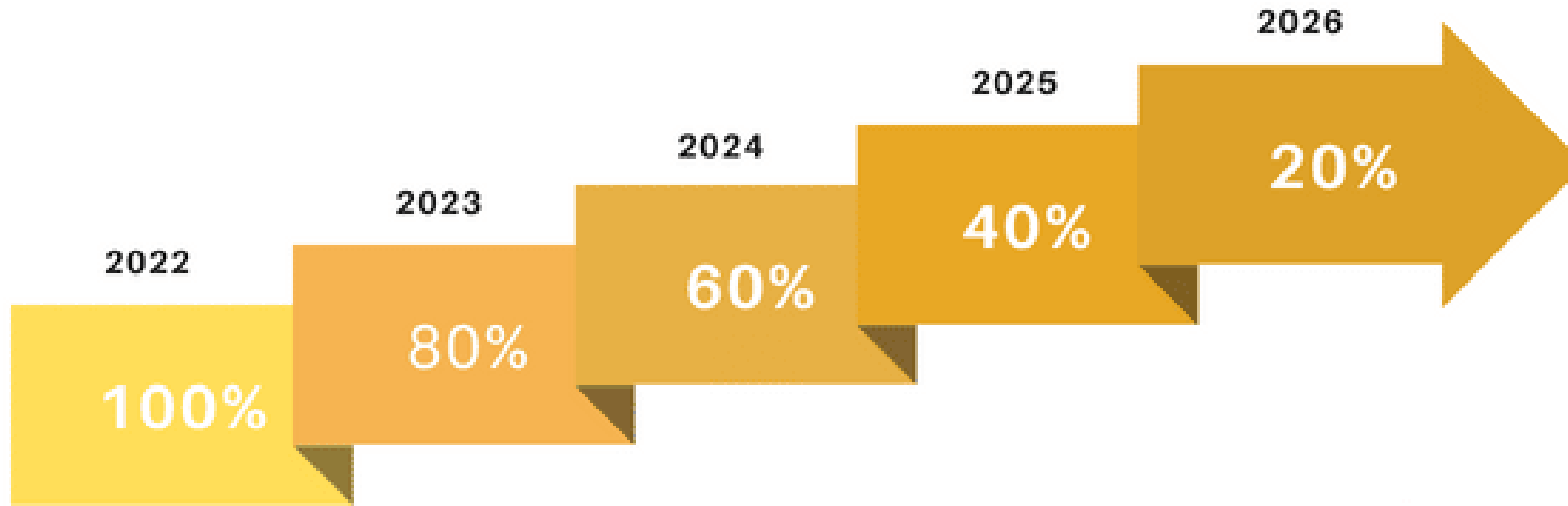
Scenario	Business Income	QBI Deduction	Taxable Income	Tax Rate	Tax Owed
Without QBI	\$100,000	\$0	\$100,000	24%	\$24,000
With QBI	\$100,000	\$20,000	\$80,000	24%	\$19,200

## Tax Savings with QBI Deduction

$\$24,000 - \$19,200 = \$4,800$  saved in taxes.

QBI Section 199A (20%)

Set to expire by end of 2025 if extension not passed by Congress



# Bonus depreciation (expiring)

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# DEPRECIABLE ASSETS

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- ✓ Vehicles
- ✓ Machinery
- ✓ Equipment
- ✓ Furniture
- ✓ Certain qualified improvement property

Sole proprietorships

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graph TD; A[Sole proprietorships] --> B[Partnerships]; B --> C[S corporations]; C --> D[Some trusts and estates];
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Partnerships

S corporations

Some trusts and estates

PASS-THROUGH ENTITIES

# Recommendations



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- ✓ Implement an **accounting system** – helps keep track of all business transactions properly and gives you're the visibility to detect these situations
  - ✓ Don't wait until it's too late, **get advice and strategize**
  - ✓ **Schedule a tax planning session**, see where you are and get moving on applying the right tax and business strategies NOW
  - ✓ **Review tax structures** – Some of your may consider changing entity types.
  - ✓ **Accelerate deductions** – Take advantage of expiring provisions now.
  - ✓ Extend your return if possible – to ensure you are optimizing your return

# Types of Business Structures

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- ❖ Sole Proprietors
- ❖ Partnerships
- ❖ Limited Liability Companies (LLCs)
- ❖ Corporations
- ❖ S-CORP\*

\*S-CORP is not a structure but an election which results in favorable tax position.

# Sole Proprietorship – In a Nutshell

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- Inexpensive
- Imposes high legal risk for business (no legal protection)
- Operates under business owner's social security or can also have its own EIN
- *If EIN*, will eventually need to get a new one when changing entity
- Reports business income on Schedule C on personal return (1040) – highly audited. *Get out of there!*



# THE INFAMOUS LLC

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- ✓ LLCs **do not pay tax** – they just give you 2 great benefits
  1. Legal protection
  2. The flexibility to convert into an S-CORP when the time is right
- ✓ For operating businesses, income and expenses reported on schedule C (until time to switch)
- ✓ Great for real estate and asset protection
- ✓ In New York, you must meet a publication requirement
- ✓ Low maintenance; requires annual filing

# Partnerships— In a Nutshell

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- ✓ Owned by Two or More People – Shared control and responsibilities.
- ✓ Profits/losses reported on partners' personal tax returns (Form 1065 & Schedule K-1).
- ✓ Must file a tax return (1065), even if zero income (compliance)
- ✓ Structured based on partnership agreements.
- ✓ Distributions (K-1) based on the partnership agreement; **partners do not receive a salary** instead they receive a “guaranteed payment” if providing services on behalf on the partnership
- ✓ Partnership distributions subject to **Self Employment Taxes = 15.3%**
- ✓ Great real estate business partnerships and joint ventures (business to business partnerships)



# C Corporations— In a Nutshell

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- ✓ **Separate Legal Entity** – Distinct from its owners (limited liability protection). Limited Liability – Owners (shareholders) are not personally responsible for business debts.
- ✓ Requires bylaws, board of directors, shareholder meetings, and formal record-keeping.
- ✓ Easier to Raise Capital – Can issue stock to attract investors.
- ✓ Ongoing Compliance – More regulations, including annual filings and corporate formalities.
- ✓ Subject to **21% tax** on profits
- ✓ Taxation:
  - C Corporation: Pays corporate taxes (Form 1120), and shareholders pay taxes on dividends (double taxation).
  - S Corporation: Pass-through taxation (Form 1120-S), avoiding double taxation.





# LLC vs S-CORP, Profit of \$100,000

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	Sole Proprietor or SMLLC	S CORP	Difference
Profit	\$100,000	\$100,000	-
Salary	\$0	\$40,000	-
Subjetc to S/E Tax or payroll taxes (15.3%)	\$100,000	<u>\$40,000</u>	-
Total tax	<b>\$15,300</b>	<b>\$6,120</b>	<b>\$9,180</b>
Pass through profit	\$100,000	\$60,000	-
Taxable personal income	\$100,000	\$100,000	-

# Entities Summary and Forms to Know

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Sole Proprietor	Partnerships	LLC	S-Corporation	Corporation
<ul style="list-style-type: none"><li>• 1040/Schedule C</li><li>• 1040-ES</li><li>• W-9</li><li>• 1099-NEC</li></ul>	<ul style="list-style-type: none"><li>• 1065/LLC</li><li>• Schedule K-1</li><li>• 1040-ES</li></ul>	<ul style="list-style-type: none"><li>• SMLLC</li><li>• 1040/Schedule C</li><li>• Form 2553</li></ul>	<ul style="list-style-type: none"><li>• 1120-S</li><li>• Schedule K-1</li><li>• Form 2553</li><li>• Form 941</li><li>• Form W-2</li></ul>	<ul style="list-style-type: none"><li>• Form 1120</li><li>• Form 1099-NEC for contractors</li><li>• Form W-2 for employees</li><li>• 941 – quarterly payroll</li><li>• Form 1099-DIV – dividends to shareholders</li></ul>
<b>Due 4/15</b>	<b>Due 3/15</b>	<b>Due 4/15</b>	<b>Due 3/15</b>	<b>Due 4/15</b>

# Compliance **Issues** with Entities

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- ✓ Annual reporting
- ✓ Operating Agreement (in partnerships)
- ✓ Certificate of Authority
  - Don't know you are required to obtain it
  - Late sales tax reporting
  - Penalties
- ✓ Payroll tax issues
  - Missed quarterly filings (941, NYS-45, penalties for non-compliance)
- ✓ Entity mismatch to EIN (Employer Identification Number)

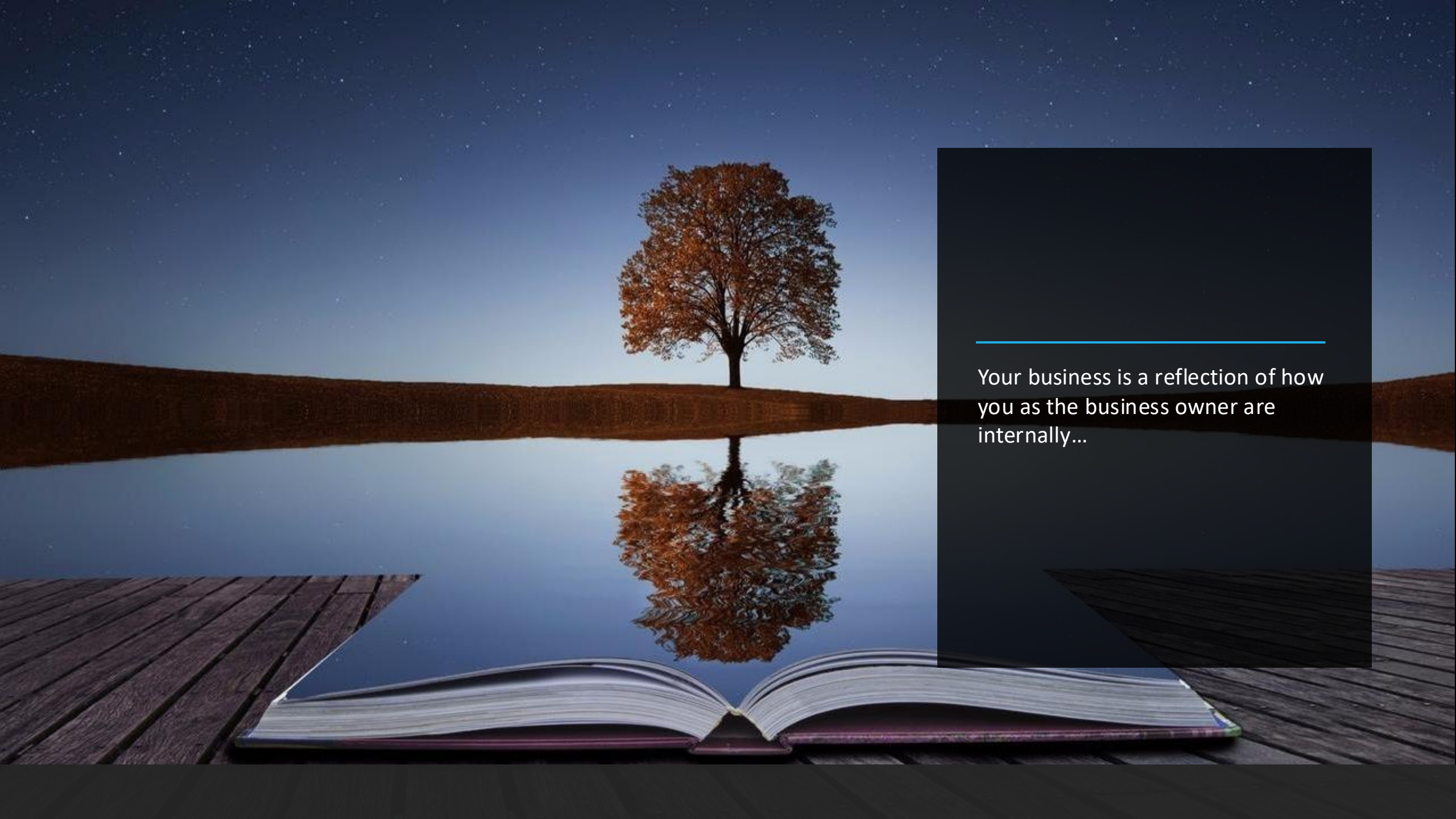
# Business Compliance - Housekeeping

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- Separate your personal transactions from business – HOW?
  - Open a bank account and use it for all business expenses
- Get a business credit card to build credit
- Pay yourself a salary (build the habit)
- Find out which taxes you are responsible for (sales tax, employment taxes)
- Pay your staff properly (W2 vs 1099-NEC)
- Track contributions and distributions (affect your basis and loss limitations)
- Structure the right banking system for profitability
- Review your finances at minimum quarterly and hire a tax advisor to advise you
- Obtain W-9 for contractors



Know where you are going  
and create a strong base  
immediately...



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Your business is a reflection of how  
you as the business owner are  
internally...

"A successful business is built from within: rooted in the right structure, powered by effective systems, and fueled by strategic insights. When these elements align, they create results that drive smart decisions, increase profits, and open up new investment opportunities."

# Why is strategy important?

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Your business can't be on a loss and write off mindset all the time. It's about increasing your sales, your impact, your reach, your services, your value and make a profit.

Then, channel those profits wisely into vehicles that save you tax while your profit (strategies)

Where is your business headed?



Q&A

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# Thank you

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