

Paychex Identifies Five Important Tax Issues for Small Business Owners to Consider When Approaching the New Year

ROCHESTER, N.Y.--(BUSINESS WIRE)-- As business owners prepare to close the books on 2015, identifying avenues for potential tax savings and having an awareness of tax issues at play in 2016 is of great importance. Paychex, Inc., a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to mid-sized businesses, today released its list of tax regulations for small business owners to carefully consider as they approach the New Year.

This Smart News Release features multimedia. View the full release here:

<http://www.businesswire.com/news/home/20151223005439/en/>

“Small business owners already have a lot on their plates – maintaining cash flow, growing their customer base, you name it. Add to that keeping on top of changing tax policies, and you’ll see why the business environment is more complex than ever for small business owners to navigate,” said Martin Mucci, president and CEO of Paychex.

Here are the five tax regulations identified by Paychex:

1. Detailed Reporting of Employee Healthcare Coverage. For Tax Year 2015, tax provisions for business owners to be aware of include detailed reporting of employee healthcare coverage. Part of the Affordable Care Act, applicable large employers (ALE), as defined in the [Employer Shared Responsibility \(ESR\)](#) provision of the Affordable Care Act, are required for the first year ever to provide detailed informational reporting on health care coverage offered to full-time employees. ALEs will need to file a 1094-C (a transmittal) and 1095-C (the employee form) with the Internal Revenue Service (IRS) in 2016 for the 2015 tax year. Additionally, the 1095-C must be furnished to the employee. The due date to file and furnish are identical to W-2/W-3 forms.

2. Potential Tax Savings when Establishing a 401(k) Plan. Small business owners who [start a new 401\(k\) plan](#) between now and December 31, 2015, can claim a federal tax credit for the first three years of the plan to offset plan startup costs. Eligible startup costs include those necessary to set up and administer the plan, as well as those to educate employees about the plan. A percentage of contributions made by the employer are tax deductible as well.

3. Business-Friendly Tax Extender Legislation. The bipartisan agreement to fund the federal government through September 2016 would make certain popular extender tax breaks permanent, including increased Section 179 expensing limits, which allow businesses to fully deduct the price of equipment, software, and other investments. Other extenders would not be made permanent, but rather extended for five years.

These include bonus depreciation, which permits businesses to accelerate depreciation in the year they buy a capital asset, and the Work Opportunity Tax Credit, which would be expanded for employers hiring certain long-term unemployed individuals.

4. Potential Changes to [Online Sales Tax](#). The ability of states to levy tax on online purchases made by state residents will remain a prominent issue in 2016. Currently, states are limited by federal mandate to only collect tax made on online purchases when the seller has sufficient physical presence in the state. However, two notable bills, the Marketplace Fairness Act (MFA) and the Remote Transaction Parity Act (RTPA), propose that states be empowered to levy tax on online sales regardless of physical presence.

5. Earlier Annual Reconciliation and W-2 Employer Deadlines to Combat Fraud. Eleven states and the District of Columbia now require employers to file both Annual Reconciliations and W-2s by January 31. The current rules have a gap between the time that employees receive their W-2s, January 31, and the date employers must file these forms with the states, either the end of February or the end of March, if they are filed electronically. The states expect this change will help mitigate tax refund fraud, as historically they have been issued refunds before fully matching tax returns to third-party information returns such as W-2 data to ensure the return is legitimate given pressure from taxpayers who expect to receive their refunds quickly. More states are considering this accelerated January 31 due date. Although the Federal government has not adopted the earlier filing this tax year, it is being discussed for the future.

To download a Slideshare of these tax considerations for small business owners, visit <http://www.slideshare.net/Paychex/paychex-looking-ahead-to-5-small-business-tax-issues-in-2016>.

For other helpful tips to advance the long-term success of small businesses, visit www.paychex.com/articles/.

Note: The information contained within is not tax or legal advice. These issues are complex and applicability depends on individual circumstances. Businesses should consult tax or legal counsel before taking action on any of the items identified above.

About Paychex

Paychex, Inc. (NASDAQ: PAYX) is a leading provider of integrated human capital management solutions for payroll, HR, retirement, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by more than 40 years of industry expertise, Paychex serves approximately 590,000 payroll clients across 100 locations and pays one out of every 15 American private sector employees. Learn more about Paychex by visiting www.paychex.com, and stay connected on [Twitter](#) and [LinkedIn](#).

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Paychex, Inc.

Lisa Fleming, 585-387-6402
lfleming@paychex.com
[@PaychexNews](#)

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