

# Paychex Provides Five Tax Tips Small Business Owners Need to Know about before the New Year

ROCHESTER, N.Y.--(BUSINESS WIRE)-- As business owners conduct their year-end tax planning, there are five tax regulations and credits they should evaluate before the New Year. Because it is unknown if Congress will address these and other related tax provisions before the end of the year, Paychex, Inc., a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to medium-sized businesses, today released these tax tips for consideration.

“2013 has been a year of numerous regulatory and legislative changes that have tax implications for business owners,” said Paychex President and CEO Martin Mucci. “Paychex is dedicated to helping business owners understand these changes and the potential opportunities that exist for them to reduce their tax liability and save money. Fortunately, there is still enough time left in the calendar year for business owners to quickly consider the options available to them and determine if they can help their business.”

The five tax tips identified by Paychex are:

- **Small Business Tax Credit**

Certain small business owners who offer health coverage to employees can apply for the small business tax credit to help offset the cost of premiums, and those who don't may now be able to afford it. Starting in 2014, the credit will be available to small employers who offer health benefits to their employees through the Small Business Health Options Program (SHOP) marketplace. Also in 2014, the amount of credit available to small business owners will increase. On November 27, the Health and Human Services (HHS) Department announced a [one-year delay](#) in online applications for the federally facilitated SHOP; however, the program itself has not been delayed. Employers can view plan options and which insurance companies offer SHOP-qualified health plans in their area on the [healthcare.gov](http://healthcare.gov) website. With the delay of the online applications, employers will need to work with an agent, broker, or insurer to purchase coverage.

Employers can utilize the [Paychex Small Business Tax Credit Calculator](#) to determine if they qualify for the credit, and if so, how much the credit will be. For more information about the small business tax credit, information on Paychex solutions, and coverage options, visit [www.paychexinsurance.com](http://www.paychexinsurance.com).

- **Defense of Marriage Act**

The United States Supreme Court's ruling on the Defense of Marriage Act earlier this year has had a significant effect on many federal laws including those related to payroll taxes,

health insurance, and employment. The effect on state tax withholding will vary by state depending on whether the state recognizes same-sex marriages and/or chooses to follow the federal rules. This change in the law will not only affect the taxable income of employees, it will directly affect an employer's tax liability because it is determined by the taxable income of employees. Individuals affected by this change also have the option to claim refunds and/or request adjustments due to overpayment of FICA taxes, and employers may be entitled to a refund of Federal Unemployment Tax Act (FUTA) taxes on wages paid to a legally married, same- gender spouse.

- **Establish a Retirement Plan**

If your business is considering starting a retirement plan, doing so before the end of the year is a good idea as it will allow you to write-off some of the set-up expenses and benefit from the tax advantages of any plan contributions. Businesses don't have to start contributing to these plans until 2014.

- **Business-Advantaged Tax Extenders**

If Congress doesn't pass legislation by the end of the year, several popular and beneficial business tax provisions will expire or be reduced in 2014. These include: accelerated Section 179 expensing for equipment, computer, software, and similar purchases; the 50 percent bonus depreciation; and the credit for research and development expenses. While these may be reconsidered by Congress next year, given the uncertainty in Washington, businesses may want to take advantage of the current provisions before the end of 2013.

- **FUTA Credit Reduction**

The U.S. Department of Labor has released the listing of FUTA Credit Reduction States for 2013. The Federal Unemployment Tax Act provides funds to the state unemployment tax systems. When the state funds are exhausted, the state may receive a loan from the federal fund. If the state is not able to pay back the loan in a timely fashion, the FUTA credit amount of 5.4 percent will be reduced as a way to recover the funds still owed. For 2013 there are 13 states, California, New York and Ohio among the largest, in addition to the Virgin Islands that are subject to a reduction of their FUTA credit. Employers in these states should budget accordingly, as their FUTA tax will increase retroactively to January.

For further information on how these opportunities might apply to your business, consult with your licensed attorney, accountant, or other tax professional to discuss your particular circumstances. Additional information related to payroll, taxes, and year-end planning is available on [www.paychex.com](http://www.paychex.com).

## **About Paychex**

Paychex, Inc. (NASDAQ:PAYX) is a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to medium-sized businesses. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services, including direct deposit, check signing, and Readychex®. Human resource services include 401(k) plan recordkeeping, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business. A variety of business insurance products, including

group health and workers' compensation, are made available through Paychex Insurance Agency, Inc. Paychex was founded in 1971. With headquarters in Rochester, New York, the company has more than 100 offices serving approximately 570,000 payroll clients as of May 31, 2013. For more information about Paychex and our products, visit [www.paychex.com](http://www.paychex.com).

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