

January 12, 2024,

Greetings Business Owners, we hope that you have had a healthy and successful year. There are not many changes to business returns for 2023.

First, please **fill out the Business Checklist**, and **sign** and **date** the **Engagement Letter**. Both are necessary to prepare your 2023 business returns.

This is the third year for S Corporation returns using **Form 7203, S Corporation Shareholder Stock and Debt Basis Limitations**, to determine the “basis” of the shareholder’s interest in an S Corporation. Basis is defined as having a personal financial interest in a business. To simplify: basis is determined by money you put into the business, plus profit; minus money you took out of the business, minus losses.

Without sufficient basis, the shareholder cannot deduct losses or take non-taxable distributions. This is a complex concept and requires more time for each return. The IRS now requires us to complete **Form 7203**, which we **must** include with your personal return.

The **standard mileage rate** in 2023 was **65.5 cents-per-mile** (please remember that the IRS wants a **logbook** for miles). The 2024 mileage rate is 67 cents. Meals are only 50% deductible and there is no deduction for Entertainment expenses.

Self Employed Health Insurance has its own form for 2023 (**Form 7206**), which could complicate your return a bit. If you pay Health Insurance out-of-pocket, you can get a deduction for it, to the extent of profit and wages. This includes Medicare.

On the state level, we have mentioned this Illinois change before. It is called **Pass Through Entity (PTE) Tax**. PTE allows the **S Corporation or Partnership** to pay the IL state income tax (4.95%) for the shareholder who will receive the income. The business can deduct this payment on its tax return, which often is not deductible on a personal level. It is most effective when the shareholder has high income and/or high property tax, and the corporation or partnership has high profit that flows to the shareholder’s personal return. It can be useful even at lower income levels, but it does not work if the business has losses.

In order to implement the PTE, the business has to make quarterly estimated payments beginning on April 15. The business can also make one large advance payment on April 15. If you are interested in discussing this, please send us an email. Information on PTE can be found in IL Pub 129.

Congress has given us more paperwork; it is called the **Corporate Transparency Act**. All corporations and most LLCs must report information about owners and managers. The report is called **Beneficial Owners Information (BOI)**. It is done on-line and it is not an IRS tax form. The BOI is due December 31, 2024, so we can think about it after tax season. You can look at it at: <https://www.fincen.gov/boi>.

Thank you, take care,

Greg and Linda Ganster