



Route To:	
<input type="checkbox"/> Partners	<input type="checkbox"/> Staff
<input type="checkbox"/> Managers	<input type="checkbox"/> File

## LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

### *PPC's Guide to Compensation Planning for Small Businesses*

#### Twenty-first Edition (April 2018)

##### Highlights of this Edition

The following are some of the important update features of the 2018 Edition of *PPC's Guide to Compensation Planning for Small Businesses*:

- **Tax Cuts and Jobs Act.** The Tax Cuts and Jobs Act (TCJA) made numerous substantial changes to fringe benefits that many employers provide to their employees. This edition provides guidance on aspects of the new law that affect compensation, payroll taxes, and fringe benefits.
- **IRC Sec. 83(i).** New IRC Sec. 83(i) allows employees of private corporations to defer income on the exercise of stock options or settlement of restricted stock units for up to five years. A new section on the election and a sample election statement have been added to the *Guide*.
- **QSEHRAs.** The IRS issued guidance concerning qualified small employer health reimbursement arrangements (QSEHRAs). Using a QSEHRA, a qualifying small employer can help its employees pay for health insurance coverage in the individual market. This update includes a discussion on the new IRS guidance.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 3 Deductibility of Compensation to Shareholder- employees	1. Changes were made to the capital gains tax rate brackets under the TCJA. This chapter has been updated for the new rules.	Throughout
	2. A discussion on a Tax Court case in which the court ruled that payments made by a corporation to its sole shareholder were loan repayments and capital contributions instead of wages is included in this edition.	Section 301
	3. Discussion of the TCJA's new 21% excise tax imposed on excess compensation paid to covered employees of a tax-exempt organizations has been added in this section.	Section 302
	4. An alert has been added on the suspension of the deduction of itemized miscellaneous deductions subject to the 2%-of-AGI floor, and the resulting impact on the repayment of an amount that was included in an employee's wages in a prior year.	Section 302
	5. The discussion on paying dividends as compensation has been updated to account for the new corporate flat tax rate of 21%, beginning in 2018.	Section 304

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	6. A note has been added to convey that the amount of shareholder compensation should be considered in maximizing a potential qualified business income deduction for S corporation shareholders.	Section 305
	7. This appendix has been updated for the new individual income tax rates and brackets under the TCJA.	Appendix 3D
	8. An appendix has been added for the new capital gains tax rate brackets under the TCJA.	Appendix 3E
CHAPTER 4 Fringe Benefits	1. Beginning in 2018, an employer's deduction for certain transportation expenses incurred for travel between an employee's residence and place of employment is limited. A caution has been added to this section to alert practitioners of this change.	Section 401
	2. The QSEHRA discussion in this section has been updated with new guidance from a recent IRS notice.	Section 403
	3. The TCJA generally eliminates the income tax deduction for entertainment expenses. Information has been added in this edition on how this change may affect employers that provide certain fringe benefits to employees.	Section 405
	4. Employers are now limited to a 50% deduction for meal expenses that are excluded from an employee's income under IRC Sec. 119. Guidance on this change has been added to this section.	Section 405
	5. A law change alert has been added in this section regarding the TCJA provision that requires tax-exempt employers to include the costs of operating an on-premises athletic facility in the organization's unrelated business taxable income (UBTI).	Section 405
	6. An employer's income tax deduction for providing qualified transportation benefits was generally repealed for tax years beginning after December 31, 2017. A caution has been added to this section to alert practitioners of this change.	Section 405
	7. For tax years 2018-2025, the qualified bicycle commuting benefit is suspended. A law change alert has been added in this section to alert practitioners of this change.	Section 405
	8. The TCJA suspends the deduction and the reimbursement exclusion for qualified moving expenses for tax years 2018-2025. This section has been updated for this change.	Section 405
	9. This appendix has been updated for changes made by the TCJA.	Appendix 4D
CHAPTER 5 Qualified Retirement Plans	1. Information on state programs that require employers to offer workplace savings arrangements for employees is included in this edition.	Section 512

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 6 Nonqualified Deferred Compensation Strategies	1. Additional discussion of the payroll tax treatment of stock appreciation rights and phantom stock plans has been added to this edition.	Section 606
	2. An alert has been included in this section on the increased AMT exemption amounts for tax years 2018-2025, and what this may mean in regard to incentive stock options.	Section 608
	3. The section on nonqualified stock options has been updated to include discussion of the new opportunity for an employee to defer income recognition with a Section 83(i) election.	Section 609
	4. The TCJA provides for a new Section 83(i) election that employees of certain private corporations can make to defer income recognition from the exercise of a stock option for up to five years. This new section provides guidance on who is eligible to make the election, how the election is made, and employer notice requirements.	Section 610
	5. A new appendix has been added with a sample Section 83(i) election.	Appendix 6K

