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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Compensation Planning for Small Businesses

Nineteenth Edition (July 2016)

Highlights of this Edition

The following are some of the important update features of the 2016 Edition of *PPC's Guide to Compensation Planning for Small Businesses*:

- **Reasonable Compensation.** A recent Tax Court ruling that applied the independent investor test to reclassify bonuses paid to shareholder/employees of a professional services firm is discussed in this edition. The IRS recently issued a private letter ruling that addresses whether excessive compensation paid to an S corporation shareholder can cause the S corporation one class of stock requirement to not be met. This edition also discusses this letter ruling and the factors that should be considered to determine if the one class of stock requirement is not met.
- **Transportation Fringe Benefits.** The Protecting Americans from Tax Hikes (PATH) Act of 2015 retroactively increased and made permanent the transit parity between the benefit limit for commuter transportation benefits and qualified parking benefits. This edition of the Guide has been updated for the resulting changes and includes guidance from the IRS on the tax treatment of cash reimbursements for transit benefits that are made retroactively.
- **Affordable Care Act Requirements for HDHPs.** High deductible health plans (HDHPs) offered in conjunction with HSAs are required to meet certain Affordable Care Act requirements. Coverage of the requirements and an example of how they apply to a family health plan have been added to this edition.
- **Nonqualified Deferred Compensation.** Proposed regulations under Section 409A were recently issued that partially withdraw regulations on calculating includable income under Section 409A(a)(1). Discussion of the proposed regulations has been added to this edition.

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. A recent Tax Court ruling that applied the independent investor test to reclassify bonuses paid to shareholder/employees of a professional services firm is discussed in this edition.	Section 301
	2. The IRS recently issued a private letter ruling that addresses whether excessive compensation paid to an S corporation shareholder can cause the S corporation one class of stock requirement to not be met. This edition discusses this letter ruling and the factors that should be considered to determine if the one class of stock requirement is not met.	Section 305
CHAPTER 4 Fringe Benefits	1. High deductible health plans (HDHPs) offered in conjunction with HSAs are required to meet certain Affordable Care Act requirements. Coverage of the requirements and an example of how they apply to a family health plan have been added to this edition.	Section 403

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	2. An example comparing the tax treatment of employer-paid long-term care (LTC) premiums versus employee-paid LTC premiums has been added in this edition.	Section 404
	3. Whether identity protection services provided to employees qualifies as a working condition fringe benefit and whether the value is taxable to the employee is discussed in this edition.	Section 405
	4. The Protecting Americans from Tax Hikes (PATH) Act of 2015 retroactively increased and made permanent the transit parity between the benefit limit for commuter transportation benefits and qualified parking benefits. This edition of the Guide has been updated for the resulting changes and includes guidance from the IRS on the tax treatment of cash reimbursements for transit benefits that are made retroactively.	Section 405
	5. Coverage of qualified tuition reductions provided by an employer under an education assistance program has been added.	Section 406
CHAPTER 5 Qualified Retirement Plans	1. The IRS recently issued proposed regulations regarding application of normal retirement age for governmental plans. Discussion of the proposed regulations and the effective date of the rules are included in this edition.	Section 503
	2. The IRS requirements for obtaining a determination letter for an individually designed plan have changed. Those changes are discussed in this edition.	Section 503
	3. The examples for safe harbor 401(k) plans have been expanded to address maximizing contributions up to the Section 415 limit.	Section 507
	4. An example of how a designed Roth account can appeal to a lower income employee has been added.	Section 507
	5. The Department of the Treasury expanded ways in which taxpayers can contribute to myRAs. This edition discusses the additional ways of funding a myRA.	Section 513
CHAPTER 6 Nonqualified Executive Compensation Strategies	1. The overview of Section 457A requirements for foreign nonqualified deferred compensation plans was expanded to include the definition of a broad-based foreign retirement plan and the tax treatment for employee's should the Section 409A requirements not be met.	Section 602
	2. Proposed regulations under Section 409A were recently issued that partially withdraw regulations on calculating includable income under Section 409A(a)(1). Discussion of the proposed regulations has been added to this edition.	Section 603
	3. Information on a chief counsel advice (CCA) regarding corrections under IRC Sec. 409A relating to a substantial risk of forfeiture has been added in the update.	Section 603
	4. Regulations have been issued that would change the requirements for the Section 83(b) election statement. The regulations are discussed in this edition.	Section 607; Appendix 6I