

# **Quickfinder<sup>®</sup> Tax Tables for Business Returns (2019 Tax Year)**

## **Updates for December 2019 Legislation**

**Instructions:** This packet contains “marked up” changes to the pages in the *Quickfinder<sup>®</sup> Tax Tables for Business Returns* that were affected by December 2019 legislation, which was enacted after the product was published. To update your product, you can make the same changes in your product or print the revised pages and paste over the original pages.

## 2019 Employer and Self-Employed Retirement Plan Chart

	SEP IRA (Self-Employed)	SEP IRA (Employee)	SIMPLE IRA
<b>Who can establish?</b>	Anyone (regardless of age) with self-employment (SE) income. <sup>1</sup>	Any employer.	Employers with 100 or fewer employees (including self-employed individuals) that do not maintain another retirement plan.
<b>Eligible employees<sup>2</sup></b>	N/A. But, if contributions are made for self-employed, they must also be made for eligible employees.	Employees at least age 21 who worked for the employer during at least three of the last five years and received at least \$600 in compensation from employer in 2019.	Employees who have earned at least \$5,000 from employer in any prior two years, and are reasonably expected to do so in the current year.
<b>Maximum Contributions Allowed</b>	20% of net SE income after SE tax deduction up to a maximum contribution of \$56,000. SARSEPs established before 1997 follow 401(k) contribution limit rules.	25% of wages up to maximum contribution of \$56,000. SARSEPs established before 1997 follow 401(k) contribution limit rules.	Employee elective deferrals limited to \$13,000 (additional \$3,000 if age 50 or older at end of the year). The employer can either: 1) Match employee elective deferrals dollar for dollar up to 3% of wages (can be reduced to as low as 1% in any two out of five years) or 2) Contribute 2% of wages (up to \$280,000) for <i>all</i> employees (including nonparticipants).
<b>Penalties for Early Withdrawal (Before Age 59½)</b>	10% of distribution. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)		10% of distribution, or 25% if withdrawn within two years from the date first participated in plan. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)
<b>When Withdrawals Must Begin</b>	By April 1 of the year following the year the account owner turns age 70½. <b>Note:</b> Contributions can still be made to the account after age 70½ if the individual has earned income.		
<b>Date to Establish Plan and Make Contributions</b>	Return due date, including extensions, for the year the plan is to be effective.		<ul style="list-style-type: none"> <li>• Establish plan by October 1, 2019 for new plans first in effect for 2019.<sup>3</sup></li> <li>• Make employer contributions by the return due date, including extensions.<sup>4</sup></li> </ul>
<b>Employer Contributions Required?</b>	No	No	Yes
<b>Borrowing Permitted?</b>	No	No	No
<b>Rollover Allowed?</b>	Yes	Yes	Yes
<b>Penalty for Excess Contributions<sup>5</sup></b>	6% excise tax for both self-employed individuals and employees if excess contribution (plus earnings) is not withdrawn by return due date (including extensions). Employers are subject to a 10% excise tax on nondeductible (excess) contributions, unless an exception applies.		

<sup>1</sup> A SEP is established at the employer level. For a partner, the partnership establishes and contributes to the SEP.

<sup>2</sup> Plans can set less restrictive participation requirements, but not more restrictive ones.

<sup>3</sup> New employers that come into existence after October 1 may establish a plan as soon as administratively possible.

<sup>4</sup> Employee and self-employed elective deferrals must be deposited as soon as reasonably possible, but no later than 30 days after the end of the month in which the amounts would otherwise have been payable to the employee in cash. A self-employed taxpayer's elective deferral must be deposited by January 30 of the following year (January 30, 2020 for 2019 amounts).

<sup>5</sup> Excess contribution penalties are cumulative each year until corrected. The penalty is reported on IRS Form 5330 (Return of Excise Taxes Related to Employee Benefit Plans).

## Advantages to Employer and Self-Employed Plans

### Qualified plans, SEPs and SIMPLEs:

- Contributions are generally tax deductible by the contributor and tax deferred for the plan participant. Earnings on contributions are tax deferred until withdrawn.
- Maximum contributions (including SEPs and SIMPLEs) are generally greater than IRAs.
- Deductible contributions allowed after age 70½.

### SEPs and SIMPLEs:

- Easy to set up and maintain.
- Allow plan participant to choose how funds are invested as opposed to a plan administrator through employer.
- Participant is always 100% vested in the plan.

### SEPs:

- No annual reporting requirements; easy to administer.
- Do not require recurring contributions.

**SIMPLEs:** Similar to 401(k) employee elective deferral and employer matching, without complex nondiscrimination and "top-heavy" rules.

### 401(k) and 403(b) plans:

- Employers allowed to match employee contributions; employee is generally fully vested sooner than with other qualified plans.
- Plan is managed by professionals.
- Easy for employees—contributions through payroll reductions.
- Certain tax-free borrowing from plan is permitted.

## 2019 Employer and Self-Employed Retirement Plan Chart

Defined-Benefit	Defined-Contribution (Profit-Sharing)	401(k)	403(b)
Any employer.			Tax-exempt religious, charitable, or educational organizations.
Employees at least age 21 with one year of service (1,000 hours).			Employees <sup>6</sup> who work 20 or more hours per week, do not participate in another 401(k), 457 or 403(b) plan and will contribute more than \$200 per year.
Actuarially determined contribution. Maximum benefit payout limited to 100% of average compensation for the three consecutive years of highest compensation (limited to \$280,000), but not to exceed \$225,000. <sup>7</sup>	Contributions per participant up to lesser of 100% of compensation or \$56,000. Employer deduction limited to 25% of aggregate compensation (limited to \$280,000 per employee) for all participants (20% of net SE income after SE tax deduction for self-employed). <sup>7</sup>	Employee elective deferrals limited to \$19,000 (additional \$6,000 if age 50 or older at end of the year). Employer deduction limited to 25% of combined wages of all employees (elective deferrals do not reduce wages for the 25% limit). Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or \$56,000 (additional \$6,000 for employees age 50 or older by year-end). <sup>7</sup>	Employee elective deferrals limited to \$19,000 (additional \$6,000 if age 50 or older at end of the year). Special formula applies to additional employer contributions based on years of service. Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or \$56,000 (additional \$6,000 for employees age 50 or older by year-end). <sup>7</sup>
10% of distribution. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)			
For self-employed and >5% owners, by April 1 of the year following the year the account owner turns age 70½. For all other employees, April 1 of the year following the year the account owner turns age 70½ or retires, whichever is later.			
December 31, to establish plan. Return due date, including extensions for profit-sharing plan contributions. 8½ months after year-end for defined benefit plan contributions.		December 31 to establish plan. For employer contributions, return due date including extensions. <sup>8</sup>	
Yes	No	Generally no.	
Yes, if plan permits. Must pay back in five years (unless used to buy a principal residence).			
Yes	Yes	Yes	Yes
Employers are subject to a 10% excise tax on nondeductible (excess) contributions, unless an exception applies.		<p><i>Employee's elective deferral:</i> No penalty or tax if 2019 excess is withdrawn by April 15, 2020 (but allocable earnings are taxable in year withdrawn). If not withdrawn by April 15, 2020, excess is taxed twice—once in the year of excess contribution and again when distributed because no cost basis is allowed for excess contribution.</p> <p><i>Employer's contribution:</i> 10% penalty on excess contributions (resulting from plan failing average deferral percentage test) unless distributed (with earnings) to highly compensated employee(s) within 2½ months after the close of the plan year (taxable to employee in year of deferral). Failure to distribute excess within 12 months after close of plan year results in plan failing to qualify for that plan year and all subsequent plan years for which the excess contributions remain uncorrected.</p>	
<p><sup>6</sup> Includes self-employed ministers.</p> <p><sup>7</sup> Nondiscrimination rules may affect contributions/deferrals for certain employees.</p> <p><sup>8</sup> The Tax Code does not specify when the employer is required to deposit employee elective deferrals into the employee's account. However, under ERISA regulations, employee elective deferrals must be contributed to the employee's 401(k) plan account as soon as reasonably can be segregated from the employer's general assets, but not later than the 15th business day of the month immediately after the month in which the contributions either were withheld or received by the employer.</p> <p>⚡ <b>Disaster Relief Alert:</b> Special rules apply for distributions and loans to victims of qualified disasters. See <i>Taxpayer Certainty and Disaster Tax Relief Act of 2019</i> on Page Q-1.</p>			

## IRS Publications for Businesses

Title	IRS Pub.	Title	IRS Pub.
Accounting Periods and Methods	538	Information on the United States-Canada Income Tax Treaty	597
Bankruptcy Tax Guide	908	Installment Sales	537
Basis of Assets	551	The IRS Collection Process	594
Business Expenses	535	Partnerships	541
Business Use of Your Home (Including Use by Daycare Providers)	587	Passive Activity and At-Risk Rules	925
Casualties, Disasters, and Thefts	547	Reporting Back Pay and Special Wage Payments to the Social Security Administration	957
Choosing a Retirement Solution for Your Small Business (Circular A), Agricultural Employer's Tax Guide	3998	Reporting Cash Payments of Over \$10,000	1544
(Circular E), Employer's Tax Guide	51	Reporting Tip Income	531
Corporations	15	Residential Rental Property (Including Rental of Vacation Homes)	527
Disaster Resource Guide	542	Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)	560
Employer's Supplemental Tax Guide	2194	Sales and Other Dispositions of Assets	544
Employer's Tax Guide to Fringe Benefits	15-A	Starting a Business and Keeping Records	583
Excise Taxes (Including Fuel Tax Credits and Refunds)	15-B	Tax Calendars	509
Farmer's Tax Guide	510	Tax Guide for Small Business	334
Health Savings Accounts and Other Tax-Favored Health Plans	225	Travel, Gift, and Car Expenses	463
Household Employer's Tax Guide	969	U.S. Tax Treaties	901
How to Depreciate Property	926	Withholding of Tax on Nonresident Aliens and Foreign Entities	515
	946		

## Selected General Business Tax Credits<sup>1</sup>

Credit Name	IRC Sec.	For	Rate	Tax Forms
<b>Employment Credits</b>				
Differential Wage Payment	45P	Small business employers paying differential wages to qualified employees that are active duty uniformed service members.	20% of eligible differential wage payments; \$20,000 maximum wages/year/employee.	8932
Disabled Access	44	Expenses to make business accessible to/usable by disabled.	50%; \$5,000 maximum credit.	8826
Employer-Paid FICA on Tips	45B	Amount paid on tips (not service charges) above minimum wage.	100% of eligible amounts.	8846
Employer-Provided Child Care	45F	Employers who provide child care and related services to employees.	25% of qualified child care facility plus 10% of resource and referral costs.	8882
Empowerment Zone Employment <sup>2</sup>	1396	Wages paid to employees working in selected geographic areas.	20% of wages up to \$15,000.	8844
Family and Medical Leave	45S	Eligible employers that pay wages to qualifying employees while they are on family and medical leave. <b>Note: This provision expires December 31, 2019.</b>	12.5% of wages paid to employees on leave, increased (but not above 25%) by .25 % pts. for each % pt. by which payment exceeds 50%.	8994
Indian Employment <sup>2</sup>	45A	Wages and health insurance costs paid to members of an Indian tribe or spouse for services performed on a reservation.	20% of increase over amount paid in 1993.	8845
Small Employer Pension Plan Start-Up Costs	45E	Credit for start-up costs of new employer retirement plans. Employer cannot have more than 100 employees.	50% of eligible costs up to a maximum credit of \$500, for first 3 years of plan.	8881
Small Employer Health Insurance Premiums	45R	Qualified small employers that pay at least 50% of a qualified health arrangement for their employees.	Up to 50% (35% for tax-exempt organizations) of the lesser of: (1) the amount contributed or (2) the small business benchmark premium.	8941 990-T
Work Opportunity	51	Effective for work begun by certain targeted groups <b>through 2020.</b>	Rates vary for certain targeted groups.	5884 8850
<b>Other Credits</b>				
Biodiesel and Renewable Diesel Fuels <sup>2</sup>	40A	Use in the production of biodiesel mixture; use of biodiesel in a trade or business or sale at retail; production of qualified agri-biodiesel. For biodiesel mixture and biodiesel components, \$1 rate applies if agri-biodiesel or renewable diesel (may include certain aviation fuel) is used.	Biodiesel mixture: \$1 per gallon used. Biodiesel: \$1 per gallon used or sold at retail. Agri-biodiesel: 10¢ for each gallon produced.	8864
Biofuel Producer <sup>2</sup>	40(b)(6)	Producers of second generation biofuel.	Generally, \$1.01 for each gallon produced.	6478
Distilled Spirits	5011	Wholesalers and warehouse of distilled spirits.	15.878¢/case of distilled spirits purchased or stored.	8906
Energy Credits <sup>2</sup>	Var.	See <i>Selected Energy Tax Incentives for Businesses</i> on Page O-5.	Varies	Var.
Investment Credit: • Rehabilitation Property • Energy Credit	47 48	<ul style="list-style-type: none"> <li>• Certified historic structures.</li> <li>• Equipment that uses solar energy to generate electricity, heat or cool a structure (or provide hot water for use in), provide solar process heat or illuminate the inside of a structure using fiber-optic distributed sunlight. Also, equipment (1) used to produce, distribute or use energy derived from a geothermal deposit; (2) that is a qualified fuel cell or microturbine, combined heat and power system or qualified small wind energy property; or (3) that uses the ground or ground water as a thermal energy source to heat or cool a structure.</li> </ul>	<ul style="list-style-type: none"> <li>• 20%, taken ratably over five years.</li> <li>• 10%; 30% for solar energy property and property using fiber-optic distributed sunlight under construction before 2022, and qualified fuel cell or small wind energy property. <b>Note:</b> The 30% rate is reduced to 26% for property that begins construction after December 31, 2019.</li> </ul>	3468
• Qualifying Advanced Coal • Qualifying Gasification • Qualifying Advanced Energy	48A 48B 48C	<ul style="list-style-type: none"> <li>• Investment in qualifying advanced coal project.</li> <li>• Investment in qualifying gasification project.</li> <li>• Investment in qualifying advanced energy project.</li> </ul>	<ul style="list-style-type: none"> <li>• 15%, 20%, or 30% of qualified investment (QI).</li> <li>• 20% or 30% of QI.</li> <li>• Up to 30% of QI.</li> </ul>	
Low-Income Housing	42	Owners of residential rental buildings providing qualified low-income housing.	70% (or 30%) of qualified building basis over 10 years.	8586 8609-A
New Markets	45D	Investment in community development entities.	5% – 6% per year over seven years.	8874
Orphan Drug	45C	Expenses in testing certain drugs for rare diseases or conditions.	25% of qualified clinical testing costs.	8820
Research Activities	41	Business research and experimental expenditures.	20% of expenses over base amount.	6765

<sup>1</sup> See the current version of Form 3800, the other referenced forms, and their instructions for details of these credits.

<sup>2</sup> This credit is not available after 2017 unless legislation is enacted that extends the provision. The credit is included in this table in the event the credit is extended.

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