SPECIAL ADVERTISING FEATURE TO COLUMBUS BUSINESS FIRST

Legal Connections

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"Carefully review the new tax laws with your legal and financial advisors to ensure your business is in compliance and has a strong tax planning strategy."

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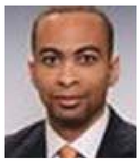
HOW NEW TAX LAWS AFFECT YOUR BUSINESS



DEMETRIUS ROBINSON
Robinson Legal Group, Ltd.

For business owners, the fall season is the start of tax planning, end-of-year closeout and holiday bonus payments. With the changes to the tax reform bill, also known as The Tax Cuts and Jobs Act, it is important to consider how the new law will affect your tax planning strategy. The new law made several changes affecting business owners, including creating a new tax deduction, changing the income tax rates and adjusting entertainment expenses.

The most talked about change was the creation of a new tax deduction called the Qualified Business Income deduction. QBI is an up to 20 percent tax deduction available to pass-through entities (e.g., LLCs, Partnerships, S-Corps and Sole Proprietorships) that can be used to reduce tax liability. QBI is a below-the-line deduction and does not require itemization in order to be eligible. Calculating QBI can get fairly complex depending on the particular taxpayer. If you are a taxpayer under the taxable income threshold of $157,500 (Non-married) or $315,000 (Married), then QBI is calculated by multiplying taxable income minus net capital gain by 20 percent (i.e. ($150,000 - $10,000) x 20%) = $28,000). If you are over the taxable income threshold, then there is a more complex calculation that factors in such things as wages paid, qualified property and your specific trade or business.

In addition, to the QBI deduction, the tax law changed the tax rates applicable to business owners. Previously, corporate taxpayers were required to pay income tax at a rate of between 15 – 39 percent. Going forward, corporate taxpayers will only be required to pay income tax at a flat rate of 21 percent. Pass-through entity taxpayers received some relief from the tax law as well. For tax years 2018 – 2026, individuals will pay income tax at a rate of between 10 – 37 percent instead of the max rate of 39.5 percent.

Finally, as business owners, it's quite common to cultivate new relationships with current clients and prospective new clients. Sometimes, those relationships are created over a shared meal, on the golf course or at the Columbus Blue Jackets game. Under the previous law, you could potentially deduct some cost as a business expense. However, under the new tax law, expenses associated with entertainment are no longer deductible. There is an exception for shared meals, but such cost should be on a separate receipt and/or itemized and is still subject to the 50 percent limitation.

With so many changes, it is important to do year-end planning now to have time to make adjustments. The new tax law provides a number of new opportunities for business owners to consider, including changing the Net-Operating Loss provisions, increasing the Bonus Depreciation and changing the Section 179 deduction. Whether you have an internal team or external tax support, it's important to review the tax law changes and ensure that your business is benefiting from them. ■

EDUCATION & EVENTS

Tuesday, Nov. 27 • 3 – 4:30 p.m.
Reflections from the Bench
1.5 Prof. Conduct CLE Hours

Thursday, Nov. 29 • 9 a.m. – 12:15 p.m.
2018 MLK Part 1: The Poor People's Campaign (Video Replay)
3.0 CLE Hours

Thursday, Nov. 29 • 2 – 4:30 p.m.
Planning for Special Needs with Trusts and STABLE Accounts
2.50 CLE Hours

Friday, Nov. 30 • 9 a.m. – 12:15 p.m.
2018 MLK Part 2: Modern Day Invidious Discrimination
3.0 CLE Hours

All classes listed are offered at the Columbus Bar Associations offices, 175 S. Third St. Ste. 1100. To register, call 614-221-4112 or enroll online at **www.cbalaw.org.**

Join us Nov. 29 for an in-depth dive into planning for special needs using trusts and Ohio's STABLE account. Register today: cbalaw.org

BEYOND TRADITIONAL FUNDING: PRIVATE PLACEMENT OF SECURITIES

SHWETA CHAUBEY
Brennan Manna & Diamond LLC

Private placement of securities has become a popular funding option for new and emerging businesses to meet their capital needs. For instance, Uber has raised over $3 billion through this route. In a private placement, a company offers its securities to a select group of investors. Such securities are not available for sale in public markets (such as stock exchanges) and may be subject to resale restrictions.

Generally, all securities offered in the U.S. must either be registered with the Securities and Exchange Commission or qualify for an exemption. SEC registration is a cost- and time-intensive process and exposes a company to several compliance requirements. To allow businesses easier access to capital, federal securities laws exempt certain securities offerings from registration requirements through a process called "exempt private placement". The optimal capital raising option for a company depends on its capital requirements, the type of investors targeted in the offering, and the associated compliance requirements.

Rules 506(b) and 506(c) of Regulation D of the 1933 Securities Act provide the most commonly relied upon exempt private placement options:

■ Rule 506(b) permits unlimited capital raise from any number of accredited investors* and from up to 35 non-accredited, sophisticated investors; however, advertising the sale of securities is prohibited;

■ Rule 506(c) permits advertising the sale of securities, which may only be offered to accredited investors.

These options allow businesses to raise capital without the burdens of SEC registration and compliance. Further, the company's founders can retain management control by structuring the security offering such that decision-making authority is not ceded to investors.

Besides private placements, businesses seeking alternative funding options to traditional loans may also explore crowdfunding, micro-loans and small-business loans. These funding channels are ideal for small businesses, new and emerging businesses and established small businesses looking to undertake new ventures, offering them flexibility and a more tailored approach to their financing needs. These approaches, in conjunction with traditional financing channels, offer businesses a wide range of sophisticated options from which to select a best-fit. ■

* Defined under Rule 501 of Regulation D.