



BUSINESS BARTERING: YES, IT IS TAXABLE INCOME

When cash is tight, many businesses turn to bartering for goods and services instead of paying dollars for them. If your company gets involved in such transactions, remember that there are tax consequences.

BARTERING DEFINED

Bartering is simply the exchange of services or property, and it’s a taxable event. For example, suppose a computer consultant trades services with an advertising agency. In that case, each must report income equal to the fair market value of the services they received — typically the amount the service provider would normally charge. If both parties agree on the value beforehand, that amount is used unless evidence suggests otherwise.

If services are exchanged for property, the recipient still realizes income. For example, if a construction company accepts unsold inventory as payment, it must report income equal to the inventory’s fair market value.

BARTER CLUBS

Some businesses participate in barter clubs that manage these exchanges using “credit units.” Members earn credits by providing goods or services and redeem them later.



Generally, bartering is taxable in the year it occurs. However, when participating in a barter club, you might owe taxes when credits are added to your account, rather than when they’re used.

Barter clubs must send participants IRS Form 1099-B (Proceeds from Broker and Barter Transactions) by January 31 each year. This form reports the total cash, property, services, and credits received. The IRS also receives a copy.

When joining a barter club, you’ll be asked to provide your Social Security Number or Employer Identification Number and to certify that you’re not subject to backup withholding. Without this certification, the club will withhold taxes from your barter income.

CONSIDER THE TAX

Business bartering transactions may be beneficial as long as you’re aware of the federal and state tax consequences. Contact us if you need assistance or would like more information. ■

YOU MAY OWE THE “NANNY TAX” EVEN WITHOUT A NANNY

Don’t let the name “nanny tax” fool you. It’s a tax that applies to the wages of a variety of types of household help you hire — such as a nanny, gardener or housekeeper. Hiring extra help can ease the burden of home-related tasks, especially in the summer when the kids are home or the garden needs attention. Unless the worker is an independent contractor, you may be liable for federal payroll tax and other taxes (including state tax obligations).

WHERE THE LINE IS DRAWN IN 2025

In 2025, you must withhold and pay Social Security and Medicare (FICA) taxes if your household worker earns cash wages of \$2,800 or more (excluding the value of food and lodging). If you reach that threshold, all the wages (not just the excess) are subject to FICA taxes.

However, if a nanny is under age 18 and child care isn’t his or her principal occupation, you don’t have to withhold FICA taxes. So, if you have a part-time, student babysitter, there’s no FICA tax liability.

Both the employer and the household worker must pay FICA tax. As the employer, you’re responsible for *withholding* your worker’s FICA share from his or her wages. You’re also responsible for *paying* a matching amount. Specifically, you each pay 6.2% for Social Security, for a total of 12.4%. For Medicare, you each pay 1.45%, for a total of 2.9%.

You can choose to pay your worker’s share of Social Security and Medicare taxes. If you do, your payments aren’t counted as additional cash wages for Social Security and Medicare purposes. But they are treated as additional income to the worker for federal tax

purposes. So you must include them as wages when you provide the worker’s W-2 form for the year.



You also generally must pay federal unemployment (FUTA) tax if you pay \$1,000 or more in cash wages (excluding food and lodging) to your worker in any calendar quarter. FUTA tax applies to the first \$7,000 of wages paid and is only paid by the employer.

You aren’t required to withhold federal income taxes from a household worker’s pay. But you can choose to withhold if the worker requests it. In that case, have them fill out a Form W-4.

HOW TO PAY THE TAX DUE

You pay household worker obligations by increasing your quarterly estimated tax payments or increasing withholding from your wages, rather than by making an annual lump-sum payment.

As an employer of a household worker, you don’t have to file employment tax returns, even if you’re required to withhold or pay tax (unless you own your own business). Instead, employment taxes are reported on your individual income tax return on Schedule H.

When you report the taxes on your return, include your Employer Identification Number (EIN), which

isn't the same as your Social Security number. You must file Form SS-4 to get one.

However, if you own a business as a sole proprietor, you are able to include the taxes for a household worker on the FUTA and FICA forms (940 and 941) you file for the business. Note, however, that keeping the reporting separate may be preferred from a record-keeping perspective.

CLOSING A BUSINESS? HERE'S HOW TO STAY ON TOP OF YOUR TAX DUTIES

Businesses close for various reasons. Perhaps you're ready to embark on a welcome change such as retirement or launching a new venture. Or maybe it just no longer makes financial sense to continue operating your current business. Whatever the reason, closing your business is a significant milestone, and part of wrapping things up means taking care of a few tax responsibilities.

FINAL INCOME TAX RETURNS

You'll need to file a final income tax return and other required forms for your last year of operation. The specific forms you'll file depend on your business structure:

Sole proprietorships: File Schedule C, *Profit or Loss from Business*, with your individual return for the year you close. You may also need to report self-employment tax.

Partnerships: File Form 1065, *U.S. Return of Partnership Income*, and report capital gains/losses on Schedule D. Mark the return and each Schedule K-1 as "final."

All corporations: File Form 966, *Corporate Dissolution or Liquidation*, if you adopt a resolution to dissolve the corporation or liquidate stock.

C corporations: File Form 1120, *U.S. Corporation Income Tax Return*, for the closing year and report capital gains/losses on Schedule D. Check the "final return" box.

S corporations: File Form 1120-S, *U.S. Income Tax Return for an S Corporation*, for the year of closure and report gains/losses on Schedule D. Mark the return and each Schedule K-1 as "final."

Regardless of business structure, additional forms may be required if you sell the business, report the sale of business property or record asset acquisitions.

FINAL PAYMENTS TO ALL WORKERS

If you have employees, you must pay them whatever final wages and compensation are owed, make final federal tax deposits and report employment taxes. Don't neglect to withhold all income, Social Security and Medicare taxes due and pay these taxes over to the IRS. Overlooking that requirement can result in full

WHAT RECORDS TO KEEP AND FOR HOW LONG

Keep related tax records for at least four years from the later of the due date of the return or the date the tax was paid. Records should include the worker's name, address, Social Security number, employment dates, amount of wages paid, taxes withheld and copies of forms filed.

We can help with questions about how to comply. ■

personal liability for what's known as the Trust Fund Recovery Penalty. That's an outcome to avoid.

Did you pay any independent contractors at least \$600 during the calendar year you're closing your business? If so, you must report those payments on Form 1099-NEC, "Nonemployee Compensation."

MORE LOOSE ENDS TO BE TIED



If your business has an employee retirement plan, it's essential to properly terminate it and distribute any remaining benefits. That process comes with its own checklist,

including specific notice, funding and filing requirements. The same is true for employee benefit accounts such as flexible spending accounts, Health Savings Accounts and other programs for your employees.

There are additional complex tax matters that may come into play, such as cancellation of debt, using up net operating losses, unlocking passive activity losses, depreciation recapture and even bankruptcy-related considerations. Addressing them can feel overwhelming — but you don't have to do it alone. We're here to help.

Don't forget about your business records. We can guide you on how long to keep them. And when everything's squared away, you'll also need to close your IRS business account. Note that while the Employer Identification Number itself is permanent, after receiving confirmation that the business has closed — and verifying that there are no outstanding taxes or other issues — the IRS will make the account inactive.

WHAT'S LEFT?

If your business is unable to pay all the taxes it owes, we can explain the available payment options to you. Contact us to discuss these issues and get answers to any questions. ■

REASONS AND RULES FOR FILING AN AMENDED RETURN

Once a tax return is filed, most people breathe a little easier. But it's not uncommon to realize too late that something was left off a return, figures were misreported or some other error was made. Accuracy is essential, but, depending on the type of error, an amendment may not be required.

REASONS TO AMEND

Generally, you should amend only to correct reported items such as filing status, dependents, income, deductions or credits.

For example, you should file an amended return if:

- You would have benefited from filing as head of household instead of single,
- You incorrectly reported your number of dependents,
- You received additional or corrected W-2s or 1099s after filing, or
- You realized you qualified for a deduction or credit you didn't claim.

Filing an amended return may also be beneficial if Congress passes retroactive tax law changes that affect your return.

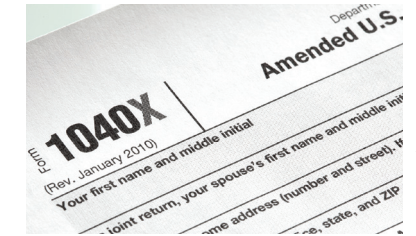
ERRORS THAT DON'T CALL FOR AN AMENDMENT

You don't need to amend your return for math errors — the IRS will correct them. Also, if you forgot to attach a W-2 or schedule, the IRS will request the missing documents directly.

If you get a CP2000 notice (noting underreported income based on discrepancies between what the IRS has

on file and what you reported), you shouldn't need to file an amended return to report that income, even if there are corrections to the adjustments proposed by the IRS.

WHAT AND WHEN TO FILE



In general, you can file an amended tax return (Form 1040x) and claim a refund within three years from the date you filed your original return or within two years of paying the tax — whichever is later. For example, if you filed your 2024 tax return on April 15, 2025, you'll have until April 15, 2028, to file an amendment.

Some exceptions allow more time. For instance, if you're claiming a bad debt, the statute of limitations is seven years from the tax return's due date for the year the debt became worthless.

You also may have an extended deadline if you were affected by a federally declared disaster or are eligible for other exceptions.

File a separate form for each year you're amending and include all relevant forms and schedules. You can amend a return more than once.

WE'RE HERE

Amending your federal return may also require amending your state return(s). Other tax implications may apply. Contact us for help. ■

TAX CALENDAR

July 10

Employees must report June tip income of \$20 or more to employers (Form 4070).

July 31

■ **Employers** must file the second quarter Form 941, *Employer's Quarterly Federal Tax Return*. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited all tax for the quarter in full and on time, you have until August 11 to file the return. Also, employers must deposit FUTA taxes owed through June if the liability is more than \$500.

■ **Employers that provide a retirement plan** generally must file a 2025 calendar-year retirement plan report (Form 5500 or Form 5500-EZ) or request an extension.

August 11

Employees must report July tip income of \$20 or more to employers (Form 4070).

September 10

Employees must report August tip income of \$20 or more to employers (Form 4070).

September 15

■ **Individuals** must pay the third installment of 2025 estimated income taxes.

■ **Calendar-year corporations** must pay the third installment of 2025 estimated income taxes.

■ **Calendar-year S corporations on extension** must file a 2024 income tax return (Form 1120-S) and pay any tax, interest and penalties due and, if applicable, make contributions for 2024 to certain employer-sponsored retirement plans.

■ **Calendar-year partnerships on extension** must file a 2024 income tax return (Form 1065 or Form 1065-B).

September 30

Calendar-year trusts and estates on extension must file a 2024 income tax return (Form 1041).