ClientLine®

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GRANTS FOR SMALL BUSINESSES

To help you boost your business resources—or start a new business—in 2025, you may want to consider a small-business grant instead of a loan. Why? You don't have to pay back a grant. However, your business will most likely have to include any grant amounts in taxable income.

GET STARTED

Consult your tax and financial advisors, then do some research. Following are some places to look.

FEDERAL AGENCIES

Grants.gov is a comprehensive database of government small-business grants administered by various federal agencies, such as the Departments of Education and Veterans Affairs.

Small Business Innovation Research and Small Business Technology Transfer programs connect small businesses with federal grants and contracts from 11 agencies.

The USDA Rural Business Development Grant program provides financing to strengthen and grow small businesses in rural communities.

The SBA's Program for Micro entrepreneurs or PRIME Investors offers grants to microenterprise development organizations.

STATE AND REGIONAL RESOURCES

The U.S. Department of Commerce helps businesses find financing (including state or regional grants), secure locations, and recruit employees.

Small Business Development Centers (SBDCs) provide support for small businesses and aspiring entrepreneurs. They're often associated with local universities or a state's economic development agency.

Minority Business Development Agency Centers (MBDA) is a national network of business centers dedicated to growing and promoting minority-owned small businesses. These centers help business owners access capital, secure contracts, and compete in emerging markets.

The SBA's State Trade Expansion Program funds state governments to implement small businesses STEP grants to cover costs to start or expand into international markets.

IDENTITY PROTECTION PIN (IP) FROM THE IRS

An IP PIN is a six-digit number that helps prevent someone from filing a tax return using your Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).

The IP PIN is known only to you and the IRS and helps verify your identity when you file your tax return.

The IP PIN is valid for one year, so each January you'll need a newly-generated IP PIN. Most taxpayers can obtain an IP PIN by applying at IRS.gov/getanippin.

You must pass the identity proofing requirements. But if you can't successfully validate your identity through online means, you may apply with Form 15227.

After you're assigned an IP PIN, it must be entered accurately on electronic and paper tax returns to avoid rejection and delays

CLIENT PROFILE

Valerie needs summer help at her water sports rental store in a busy beach town. But she doesn't foresee needing these additional workers after the summer vacation crowds return home. Should she hire employees or use independent contractors for these few months?

Although Valerie may prefer to use contractors for her short-term staffing needs to avoid paying payroll taxes, she'll likely be constrained to hiring employees. That's because the IRS has clear rules defining employees and contractors.

Generally, an employee will work under Valerie's supervision, direction and set hours. Further, her seasonal workers will be essential to running the business by taking care of customers.

Contractors tend to be professionals who don't require supervision to do their work (think of computer consultants or electricians). And contractors can set their own schedules and control how they are paid, unlike employees who are paid according to the company's pay schedule.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

PASSING ON FAMILY HEIRLOOMS & KEEPSAKES

People understandably overlook addressing more minor, personally meaningful items such as heirlooms and keepsakes when creating an estate plan. This oversight can be a fuse for family disputes.

TALK AHEAD OF TIME

While you're in good health, get together with your personal representative and loved ones to see who wants what.

For fairness, you might have each person pull a number from a hat and, in order, have them name one personal item they'd like. Write down their responses. Repeat as needed.

You may find no one wants your grandmother's crystal, your baseball card collection, etc.

Work out any rivalry for an item now. Make clear that you'll instruct your personal representative to liquidate items not on the list and distribute the cash or donate it to charity.

PUT IT IN WRITING

Schedule an appointment with your legal professional to amend your will or trust to spell out your bequests.

Alternatively, many states let you draft a memo listing what you want to give and to whom. If the memo is incorporated in a will or trust, it's legally binding. Sign and date it.

A SURPRISING EMPLOYEE FLIGHT-RISK

According to a recent ADP Research Institute study, about 30% of employees leave their jobs within a month of their first promotion. Generally, the risk of a worker in the same position leaving at any given time is 18%. Employees in jobs that require little to no training and those in roles requiring an advanced technical degree are also more likely to leave.

REASONS FOR FLIGHT

One reason for leaving is that employees may feel overwhelmed because they didn't receive the training to succeed in the new position. Another is that the promotion has given them the confidence to seek a new job that pays more, has better benefits, or offers more opportunities. A third is that the promotion comes too late, and the employee has already started looking for a new position and receives a better offer shortly after the upgrade.

SOLUTIONS

The months after a promotion are critical to retaining the employee. Provide adequate training and support to help the employee succeed. You can ask another employee to mentor the employee. Follow up with the employee post-promotion. After three months, he/she will know whether the job is as described to them and at six months, whether it is a good fit. The ADP study found that the likelihood of a promoted employee leaving after six months is the same as for other workers.

DON'T FORFEIT YOUR SOLO 401(K)

A 401(k) plan is an excellent way for sole proprietors to pack away retirement funds. In addition to the maximum annual contribution amount allowed for your age, you can make matching contributions to your account.

SOLO 401(K) PLAN ADVANTAGES

Administrative simplicity is a major plus with Solo 401(k) plans. Nondiscrimination testing is not necessary and there are minimal filing requirements. Additionally, there are no "fidelity bonds" or traditionally required ERISA Title 1 notices for employees required.

THERE'S A CATCH

Before you choose a Solo 401(k), beware that you cannot have any employees (other than your spouse), so if you have employees or want to hire employees in the future, this plan is not for you.

That's because Solo 401(k)s automatically lose their qualified plan status as soon as a common-law employee meets the plan's participation requirements.

If you have a Solo 401(k) and find you need to hire help, consult your professional advisor about amending plan documents, before they become eligible to participate. Otherwise, you risk disqualification, penalties, and contribution refunds. If you have two plans, remember elective deferral limits are by person, not by plan.

Q

Is a gym membership a medical expense that can be paid by an HSA or FSA?

A

Yes, but only if the membership was purchased for the sole purpose of affecting a structure or function of the body (such as a prescribed plan for physical therapy to treat an injury) or the sole purpose of treating a specific disease diagnosed by a physician (such as obesity, hypertension, or heart disease).

Otherwise, the cost of a gym membership is for the individual's general health and is not a medical expense.

Many health insurance policies offer gym membership benefits.

NET UNREALIZED APPRECIATION AND YOUR 401(K)

If your 401(k) plan account contains employer stock, the tax law's net unrealized appreciation (NUA) provision may allow you to take advantage of potentially lower tax rates on the growth or unrealized appreciation of the stock.

HOW IT WORKS

Normally, distributions from a traditional 401(k) are taxed as ordinary income. Under the NUA provision, you can separate the appreciation of your employer stock from other assets in your 401(k) at retirement. When you eventually sell your stock, the NUA will be taxed at the generally lower long-term capital gains rate. You typically need to separate from your employer through retirement or other means and take a qualified lump-sum distribution of your entire plan balance to take advantage.

HERE'S AN EXAMPLE

Twenty years ago, Taylor received a $50,000 company stock 401(k) contribution. Today, upon her retirement, the stock is worth $200,000. Instead of rolling everything into an IRA, Taylor is taking a separate stock distribution. Ordinary income tax will be due only on the $50,000, while the $150,000 appreciation would be subject to capital gains tax when sold.* Your trusted professional can help determine whether this fits your broader retirement and investment strategy.

**This is a hypothetical example and is not representative of any investment strategies. Actual results my vary.*

NET INVESTMENT INCOME AND WHO PAYS IT

The net investment income tax (NIIT) affects individuals, estates, and trusts with significant investment income. In its first year (2013), about three million taxpayers were subject to the additional 3.8% net investment income tax (NIIT) in 2013. Since then, the number of affected taxpayers has more than doubled, underscoring the growing relevance of this tax.

WHAT QUALIFIES AS NET INVESTMENT INCOME (NII)

This income includes interest, dividends, capital gains, rental income, and passive income from business interests. When your modified adjusted gross income (MAGI) exceeds $200,000 for single filers or $250,000 for married couples filing jointly, the 3.8% tax kicks in on your net investment income. The tax is paid in addition to any capital gains tax.

MITIGATING THE IMPACT

Consider maximizing contributions to tax deferred accounts like IRAs or 401(k)s to lower your MAGI in the current tax year. Try tax-loss harvesting. This technique involves selling underperforming investments at a loss to offset taxable gains.

Strategic selling can lower your overall capital gains and your net investment income. If you're close to the threshold income, consider deferring income to a future year or bunching deductions to keep your MAGI below the tax limits for the current year.

Consulting a tax professional who understands the complexities of high-net-worth individuals can help you develop a tax strategy tailored to your financial situation.