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## Gray, Gray & Gray, LLP's News

### Partnership Taxation is Changing. Should You Change, Too?



If you are in a partnership (or an LLC taxed as a partnership), two significant tax changes may give you cause to review – and possibly revise – your partnership agreement.

The first tax change has been a long time coming. The Bipartisan Budget Act of 2015 created a replacement for audit rules for "large partnerships." However, the new rules apply to all partnerships – even though the IRS did not issue the final version of the regulations until January 2018. While the new procedures were designed to make it easier and faster for the IRS to audit partnerships, there is an important change. Any back payments, penalties, or fines will be billed to the *current* partnership, even if there was a change in partners. Plus, the tax will be set at the highest corporate or individual tax rate. The good news is that this effect can be mitigated with proper planning, including changes to the partnership agreement. This new procedure is effective for years beginning on or after January 1, 2018. [Read more here.](#)

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## Family Business

### A Family Business Does Not Have to Be a Casualty of Divorce



**What if** a divorce threatens to tear your family business apart? It's bad enough when a marriage ends, but it's even worse when the former spouses both work for a family company. That usually means one or both will have to remove themselves from the business — for a price. This article gives you an idea of how the value of a business is determined when divorcing spouses disagree.

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## Business Tax

### No Current Deductions Before Business Commences



**Current deductions** are not allowed for most expenses incurred while a business is still in the start-up phase. For tax purposes, the business must be functioning at the time the expenses are incurred. Many entrepreneurs may be unaware of this rule. This article explains the tax rules for start-up companies.

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## Personal Tax

### Hobby-Related Loss Deductions Are Disallowed, but Don't Give Up Hope

**Hobbies** are typically fun and they may be expensive. In some cases, hobbies (including those involving horses) lead to net losses. Before the Tax Cuts and Jobs Act



became law, you could claim itemized deductions for hobby-related expenses up to the amount of income — if your primary motivation was profit, not fun. Now, however, itemized deductions are no longer available.

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