



# CLIENTTELL

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# INFLATION REDUCTION ACT

BY WADE FARMER

On Aug. 16, 2022, President Biden signed the Inflation Reduction Act (IRA) into law. The IRA includes significant provisions related to climate change, health care and, of course, taxes. The IRA also addresses the federal budget deficit. According to the Congressional Budget Office (CBO), the new tax act is projected to reduce the deficit by around \$90 billion over the next 10 years.

>> **KEEP READING ON PAGE 2**

*Trina Ford taking in the view on top of Grandfather Mountain at our firm wide retreat.*

## >> CONTINUED FROM COVER STORY

Although the IRA falls far short of Biden's originally proposed \$2 trillion Build Back Better Act, the \$430 billion package nonetheless is a sprawling piece of legislation bound to affect most Americans over time. Below is an overview of the broader provision the bill includes.

### TAX PROVISIONS

For starters, how is the federal government going to pay for all of it? Not surprisingly, new taxes are part of the equation (along with savings from, for example, lower drug prices). But the bill is designed to not raise taxes on small businesses or taxpayers earning less than \$400,000 per year.

The first target is U.S. corporations (other than S corporations) that have more than \$1 billion in annual earnings over the previous three years. While the current corporate tax rate is 21%, some companies pay little to no federal income tax, due in part to deductions and credits. The IRA imposes a corporate alternative minimum tax of 15% of financial statement income.

Further, the bill imposes a 1% excise tax on the fair market value per share when publicly traded C corporations buy back their stock.

The IRA also provides about \$80 billion over 10 years to fund the IRS and improve its "tax enforcement activities" and technology. Notably, the IRS budget has been slashed in recent years, dropping by 20% in 2020, compared to 2010. The CBO estimates that the infusion of funds will allow the IRS to collect \$203 billion over the next decade from corporations and higher income individuals. While this has been a lead headline, it is not all that it is made out to be and the IRS will use to get back on track. With the primary goals of being more responsive and raising audit levels back to historical averages.

### CLIMATE AND ENERGY PROVISIONS

The IRA dedicates about \$370 billion to combating climate change and boosting domestic energy production. It aims to reduce the country's carbon emissions by 40% by 2030.

The legislation includes new, extended and increased tax credits intended to incentivize both businesses and individuals to boost their use of renewable energy. For example, the bill provides tax credits to private companies and public utilities to produce renewable energy or manufacture parts used in renewable projects, such as wind turbines and solar panels. Clean energy producers that pay a prevailing wage also may qualify for tax credits.

### CLEAN VEHICLE CREDIT

The current tax credit for qualified plug-in electric vehicles has been significantly revised in the IRA. Currently, a taxpayer can claim a credit for each new qualified plug-in electric drive motor vehicle placed in service during the tax year. The maximum credit amount is \$7,500. Certain vehicle requirements must be met.

The credit phases out beginning in the second calendar quarter after a manufacturer sells more than 200,000 plug-in electric drive motor vehicles for use in the U.S. after 2009. Under the IRA, the plug-in vehicle credit has been renamed the clean vehicle credit and the manufacturer limitation on the number of vehicles eligible for the credit has been eliminated after Dec. 31, 2022.

The bill changes how the clean vehicle credit is calculated. Specifically, a vehicle must meet critical mineral and battery component requirements. There are also price and income limitations. The clean vehicle credit isn't allowed for a vehicle with a manufacturer's suggested retail price above \$80,000 for vans, sport utility vehicles and pickups, and above \$55,000 for other vehicles.

The clean vehicle credit isn't allowed if a taxpayer's modified adjusted gross income (MAGI) for the current or preceding tax year exceeds \$150,000 for single filers, \$300,000 for married couples filing jointly and \$225,000 for heads of household.

The IRA also contains a tax credit for a used plug-in electric drive vehicle purchased after 2022. The



tax credit is \$4,000 or 30% of the vehicle's sale price, whichever is less. There are also price and income limitations.

### HOME ENERGY IMPROVEMENTS

Individual taxpayers can also receive tax breaks for home energy efficiency improvements, such as installing solar panels, energy-efficient water heaters, heat pumps and HVAC systems. And a “Clean Energy and Sustainability Accelerator” will use public and private funds to invest in clean energy technologies and infrastructure.

### HEALTH CARE PROVISIONS

The IRA allows Medicare to negotiate the price of prescription drugs and prohibits future administrations from refusing to negotiate. It also caps Medicare enrollees' annual out-of-pocket drug costs at \$2,000 and monthly insulin costs at \$35 and provides them free vaccines. Additional provisions to rein in drug costs include a requirement that pharmaceutical companies that raise the prices on drugs purchased by Medicare faster than the rate of inflation rebate the difference back to the program.

The IRA also should reduce health care costs for Americans of all ages who obtain health insurance coverage from the federal Health Insurance Marketplace. It extends the expansion of subsidies — in the form of refundable premium tax credits — under the America Rescue Plan Act through 2025. These subsidies had been scheduled to expire at the end of 2022.

### MORE TO COME

The IRA is a sweeping piece of legislation that affects many sectors of U.S. business, as well as most citizens. Additional information, guidance and regulations related to its numerous, far-reaching provisions are inevitable.

We'll keep you up to date on the developments that could affect your finances and federal tax liability. ♦



# So You Want to Start an LLC in Tennessee...

BY KENDRA HOPSON



## WHAT IS AN LLC?

An LLC is a limited liability company with different rules in each state. In Tennessee, you can have many different members, or you can have a single member LLC. Federally, an LLC can be taxed as a partnership, corporation or as a part of the single member's 1040 on a Schedule C, E or F. Visit the Limited Liability Company page on the IRS website for more info regarding LLC federal taxation.

## DO I NEED AN LLC, OR SHOULD I JUST GET INSURANCE INSTEAD?

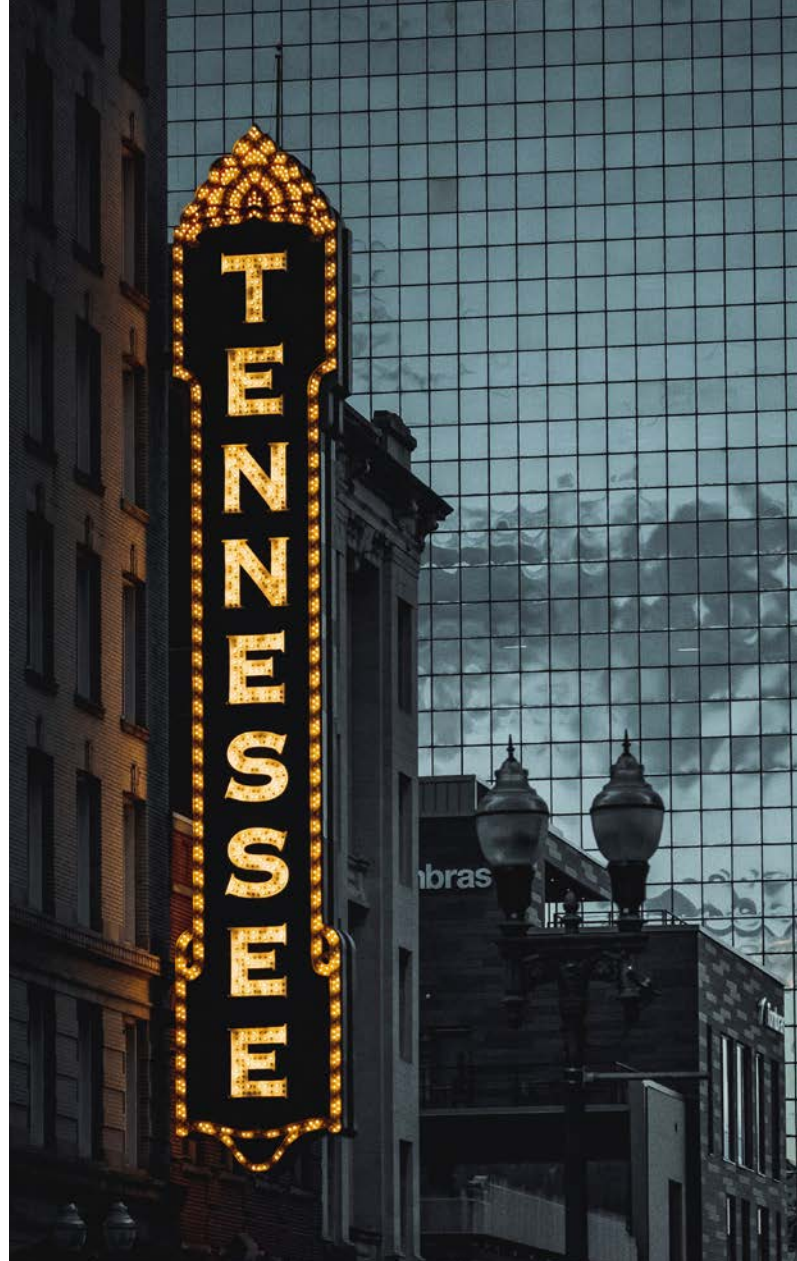
As a CPA firm, we don't advise on legal matters, and you should consult an attorney regarding your particular situation. However, not every business needs an LLC – risk of business activities should be considered. An LLC might be more appropriate for a construction company, and less appropriate for someone selling digital art online. An LLC would be beneficial to a company with employees.

An LLC will not protect you from acts of negligence, failure to make payroll tax deposits, or failing to maintain the business separately from your personal accounts. We do recommend that anyone starting a business should set up a separate bank account solely for business purposes.

## WHAT ARE THE TAXES ON A TENNESSEE LLC?

Before you form an LLC in Tennessee, be aware of the taxes you will be paying every year:

1. TN Secretary of State Corporate Annual Report (CAR) – Due every year on April 1, the CAR is a minimum of \$300, and can be filed online at [TNBEAR.TN.GOV](https://www.tn.gov/business-services/corporate-annual-report).
2. TN Franchise & Excise Tax – Due on April 15th, generally filed with the federal tax return. This is a minimum fee of \$100 each year, unless you are exempt under FONCE or OME rules.
  - a. FONCE (Family owned non-corporate entities) exemptions are filed every year. The majority of



FONCE filings are Farm LLCs and small residential rental LLCs. Visit [TN.GOV](https://www.tn.gov) to read the full description.

- b. OME (Obligated member entity) elections are filed every year. OMEs are sometimes used when an entity has already created an operating agreement and decides they would like to operate as an LLC structurally, but forgo the liability protection and not be subject to TN taxes. You can read more about becoming an OME on [TN.GOV](https://www.tn.gov).
- c. Franchise tax is .25% of the greater of net worth or real and tangible property in Tennessee. So if you have \$100,000 of assets in the LLC, the Franchise tax is \$250.
- d. Excise tax is 6.5% of income taxable in Tennessee. If your LLC makes \$50,000, the Excise tax is \$3,250. Self-employment net earnings are excluded from excise tax.

# FUN@theFIRM

## SHOULD I PUT REAL ESTATE IN AN LLC?

Again, talk to an attorney about your specific situation regarding legal liability. If you decide to put real estate in an LLC in Tennessee, you will pay Excise tax on any capital gains when you sell the property. For example, you buy rental real estate for \$250,000 and you improve the property by \$50,000. Your basis is now \$300,000. You decide to sell the property for \$500,000. The \$200,000 of gain is taxed at your federal capital gains rate at the time of the sale and the TN Excise tax rate of  $\$200,000 \times 6.5\% = \$13,000$ . Even if you have a FONCE exemption, you are still subject to this tax because sale of property is not covered by the exemption, unless it is sale of farm land.

## HOW DO I SET UP AN LLC IN TN?

If you decide you still want to proceed with forming an LLC, follow these steps, or consult with your accountant and/or attorney:

1. Choose a name with LLC at the end. You can search for your name on the Business Name Availability page of [TNBEAR.TN.GOV](http://TNBEAR.TN.GOV) to make sure it's unique.
2. Decide the type of entity you will be setting up, either partnership, corporation or single member.
3. File the Articles of Organization by going through the set up on the TN Secretary of State website. You will need to pay the filing fee either online or via check.
4. Consider an operating agreement. It's not required in TN, but is generally a best practice. An operating agreement would cover buy-sell arrangements, and various scenarios like the death of a partner.
5. Apply for an EIN (Employer Identification Number) on the IRS website.
6. Apply for the TN Franchise and Excise tax on [TNTAP](http://TNTAP), which is the Tennessee Department of Revenue. You can also register at the same time for other taxes you might be subject to, such as Sales Tax or Business Tax.
7. Continue abiding by the state laws and regulations and file your reports on time. ♦



*The BCS crew reached new heights on our latest adventure to Grandfather Mountain!*



*From planting succulents to tug of war, we came together for a fun-filled field day.*



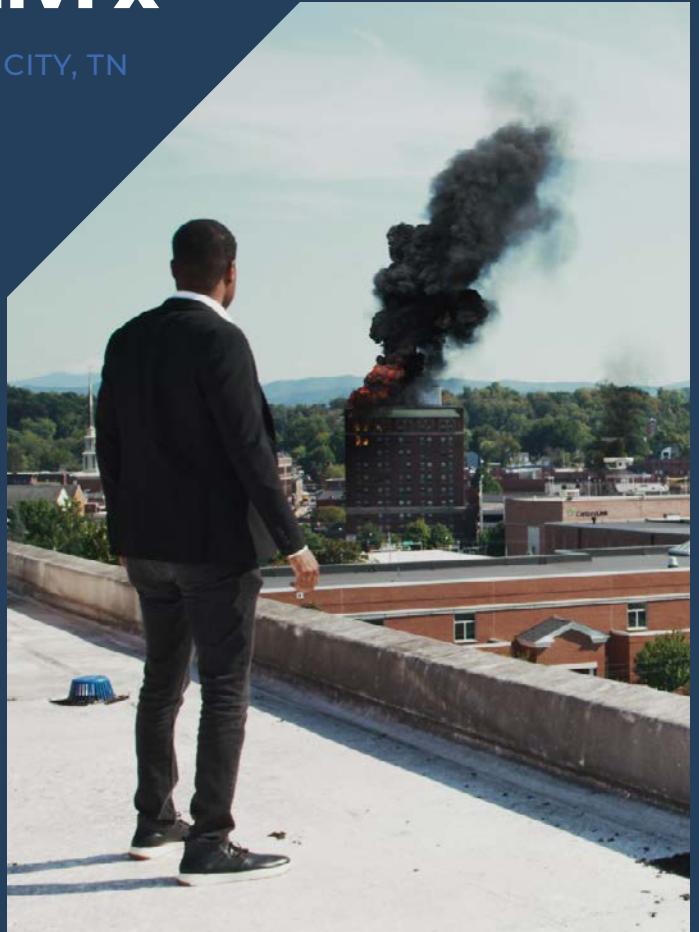
*The MAS Department visited Hunger to Hope where they packed meals to fight hunger across the globe.*



CLIENT FEATURE

# ActionVFX

JOHNSON CITY, TN



# Q+A with **RODOLPHE PIERRE-LOUIS**

FOUNDER + CEO

## **Q. WHAT'S YOUR STORY? HOW DID YOU GET YOUR START?**

**A.** ActionVFX is the result of a lot of passion, hard work, and faith. We are a Visual Effects Stock Footage company, which means we help people blow things up and create different kinds of visual effects for movies, like *Avengers: Endgame*, and TV shows, like *Stranger Things*! Let's say a studio wants to burn down a house for their movie. They can simply go to our website, browse our vast library of effects, license the Fire effect that they need, and use it in their movie.

I was a 10 year old growing up in Haiti when my dad brought home a video camera. I immediately fell in love with it and my filmmaking "career" started right then. I believe I was 14, now living in the States, when I found out you could learn and create visual effects (VFX) on your home computer. So, of course, I started adding VFX to the short films I made with friends. In short, the journey that would eventually lead me to founding ActionVFX started when I was very young.

It was during the Summer of 2015 that the work toward building ActionVFX started. By then I had experience producing VFX Stock Footage, and ActionVFX was going to be my way of taking things to the next level. While the plan was originally to self-fund the venture, we hit some roadblocks that forced us to turn to the crowdfunding website, Kickstarter, for help. The great thing about Kickstarter is it helps you raise money directly from the people who benefit the most by having your product made. 446 VFX artists, complete strangers, came together and donated to our campaign to help us raise enough to continue the vision.

In June 2016 ActionVFX launched to the world, and we have been at it ever since!

## **Q. WHAT ARE YOUR GOALS FOR THE FUTURE?**

**A.** Our overarching goal as a company is to become the one common driving force behind every Visual Effects Artist's



career. A lot of different things will go into achieving that, though. For example, we recently bought a warehouse that we plan on renovating into our own studio. This will allow us to create our effects faster, easier, and at scale. We also plan on producing different types of products other than VFX Stock Footage in order to better serve our worldwide user base.

One big personal goal of mine is to direct a feature-length film. While my focus is on running ActionVFX right now, I'm definitely thinking heavily about how I can make this movie happen. I've given myself a 5-year deadline, so I better get to work soon!

## **Q. HOW HAS BCS HELPED YOU?**

**A.** BCS does most of the things I don't want to do myself, and that gives me more time to focus on building my business. From payroll to taxes, BCS covers it all! The more ActionVFX grows, the more I value peace of mind, and that's what BCS helps give me.

## **Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO SHARE?**

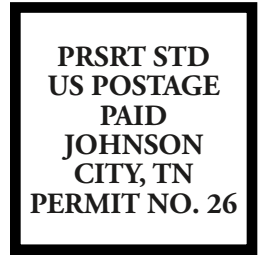
**A.** Tommy Greer is the coolest old guy I know! I want to be him when I grow up! ♦

**ACTIONVFX ELEMENTS  
ARE THE BEST  
IN THE INDUSTRY**



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## A Win for Retailers

BY MCKENZIE MULLINS



If you were tasked with preparing a Tennessee Sales and Use Tax Return for July, you might have faced something peculiar on TNTAP's input screen or the

physical copy of the return. In the past, twenty-one lines awaited data entry for various amounts related to the month's sales activity; however, a new line has been added, inserting itself at line 18. This new line is entitled Vendor's Compensation.

Vendor's compensation was resurrected as a way of paying back retailers for their time and expenses incurred while collecting and remitting sales tax to the state of Tennessee. Beginning on July 1 of this year, retailers who had taken the time to collect their sales tax and report it to the Tennessee Department of Revenue were eligible for this vendor's compensation deduction. This deduction

is 2% of the vendor's state tax due, limited to \$25. It is also important to note that this deduction will only apply to returns that have been filed and paid in a timely manner. Vendors who file or pay their tax due late will not be eligible.

Now is not the first time we have received a deduction for vendor's compensation, but this is the first time we have had it in over twenty years! We can see this on the face of the TNDOT input screen and the Tennessee Sales and Use Tax Return from July 1, 2022, through June 30, 2023. Once the June 30 date rolls around next year, Tennessee will reevaluate whether to continue with the vendor's compensation deduction.

Along with the return of vendor's compensation, Tennessee's Department of Revenue also opted to bring back a sales tax holiday on certain grocery goods and added exemptions for computer software developed by employees for business use. ♦