



# XLP

## Chronicles

### Lakita's Tax Time

Welcome to Lakita's Tax Time!

There are two things certain in this life: death and taxes. Given that these two things are inevitable, I believe that it is important to prepare for these moments and having a good legal team can make the difference. Generally, estate planning is used to prepare families for the death of a loved one but this process happens less often. However, tax time occurs more frequently.

*Lakita's Tax Time* is here to remind you that tax time is all the time, not just during the month of April. For example, the manner in which you make money and how you spend it will affect your bottom line during 'tax time'. To that end, I would like to dedicate this space to providing a deeper understanding of taxes and how to prepare for the inevitable. If you have any questions or would like to schedule a consultation, please feel free to contact me at [Lfoster@xlppllc.com](mailto:Lfoster@xlppllc.com) or 804-480-4330.



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# LAKITA'S TAX TIME CONTINUED

## *5 Types of Business Structures and Their Tax Implications*

When starting, a new business you must select a business structure, which will have both legal and tax implications. The structure of the business can affect ongoing costs, liabilities, how your business team can be configured and how the business's income will be taxed.



- **Sole proprietorship:** When a person owns and runs a business but there is no distinction between the business and the individual. Sole proprietorships are considered a “disregarded entity,” this means that the business itself pays no taxes. Instead, taxes are “passed through” to the owner. Income and expenses are reported on schedule C of the owner’s 1040. Tax day is usually April 15th.



- **Partnership:** When two or more people join to carry on a trade or business. Partnerships are also considered a pass-through entity. Income and expenses are reported on IRS on form 1065. Tax day is March 15th. The income is then passed down to its members individual returns on a K-1.
- **Limited Liability Corporation:** an LLC is a business formed under state law. Depending on elections made by the LLC and its characteristics, the IRS will treat an LLC as either a corporation, partnership or disregarded entity.
- **Corporations** are a company or group of people authorized to act as a single legal entity.

- **C Corporations:** A C Corp is considered the default designation for corporations. They are taxed twice: once at the corporate level and again at the personal level, which is referred to as double taxation. The IRS form 1120 is due on April 15th. The shareholder is taxed on dividends and capital gains received.
- **S Corporation:** An S Corp is distinctively different from a C corp because it is a pass-through entity, allowing it to avoid double taxation. An S corporation must file its annual federal tax return by March 15th using IRS form 1120S. The income is then passed down to its members individual returns.





# **NEW LAWS IN** **EFFECT JULY 1ST**

## **Workers' Compensation Cost of Living Supplements**

This new law provides that cost-of-living supplements shall be payable to claimants who are receiving disability benefits under the Virginia Workers' Compensation Act but are not receiving federal disability benefits.

SB 677 Workers' compensation; cost of living supplements  
<https://lis.virginia.gov/cgi-bin/legp604.exe?221+sum+SB677>

## **Workers' Compensation and Health Care Providers With COVID**

This new law extends the date by which COVID-19 causing the death or disability of a health care provider is presumed to be an occupational disease compensable under the Virginia Workers' Compensation Act. This date is extended to December 31, 2022.

SB 5066 Workers' compensation; presumption of compensability for COVID-19.  
<https://lis.virginia.gov/cgi-bin/legp604.exe?202+bil+SB5066>

## **Amendment:**

### **Misuse of Power of Attorney**

Makes it a Class 1 misdemeanor for an agent under a power of attorney to knowingly or intentionally engage in financial exploitation of an incapacitated adult who is the principal of that agent.

Virginia legislation moved to amend and reenact Va. Codes §§ 64.2-1608 and 64.2-1621 of the by adding a section numbered 18.2-178.2 which provides that there will a penalty for financial exploitation by an agent.

