



**BET QUICK
CHECKLIST**

**BUSINESS ENTERPRISE
TAX RETURN
QUICK CHECKLIST**

PURPOSE

The purpose of this Quick Checklist is to provide taxpayers and tax practitioners with a convenient reference guide of what is taxable and non-taxable. This Quick Checklist is for informational purposes only and is not intended to be a complete list or to be relied upon as a substitute for the actual state law. Please refer to the applicable statute and rules to determine how this information applies to specific persons or situations.

DEFINITIONS

"Dividends" means any distribution of money or property, other than the distribution of newly issued stock, to owners of the business enterprise with respect to their ownership interest in such enterprise from the accumulated revenues and profits of the enterprise.

"Interest" means all amounts paid or accrued for the use or forbearance of money or property.

"Compensation" means all wages, salaries, fees, bonuses, commissions or other payments paid directly or accrued by the business enterprise in the taxable period on behalf of or for the benefit of employees, officers or directors of the business enterprise and subject to, or specifically exempt from, withholding under IRC 3401. Compensation also includes the amount of any compensation for personal services deduction taken under RSA 77-A:4, III and any net earnings from self-employment not included in the amount of any deduction taken under RSA 77-A:4, III.

BREAKDOWN OF TAXABLE AND NON-TAXABLE DIVIDENDS

DIVIDENDS SUBJECT TO TAX

- All property transferred from the accumulated profits of a business enterprise to an owner with respect to the owner's ownership interest.
- All personal expenditures made by a business enterprise on behalf of an owner which have not been properly reported as compensation or loans for federal income tax purposes.
- Forgiveness of an owner's indebtedness to the business enterprise, unless reported as compensation or interest to the individual and included in those elements of the Enterprise Value Tax Base.
- Automatic re-investment of property deemed distributed to the owners from accumulated profits into additional stock of the enterprise.

NON-TAXABLE DIVIDENDS

- Amounts deducted under RSA 77-A:4, III for personal services of the proprietor or partner. (also see the compensation section).
- Distribution in liquidation or in complete redemption of an owner's interest.
- Any deemed dividend election that may be made by members of an affiliated group.
- Cash or non-cash payments of life, sickness, accident, or other benefits to members or their dependents or designated beneficiaries from VEBA'S (Voluntary Employees' Beneficiary Association) qualified under Section 501(c)(9) of the IRC.
- Distributions of money or property to participants from any trust fund as defined under Section 584 of the IRC.
- Life insurance dividends.
- Payments of interest on deposits of depositors of a mutual bank or credit union.
- Distributions of money or property to or on behalf of beneficiaries of a trust which is either subject to taxation under Section 641 or 664 of the IRC.
- Patronage dividends.
- Distributions of money or property to beneficiaries of a trust qualified under Section 401 of the IRC.
- Policy holder dividends as defined under Section 808 of the IRC, to extent such dividends are not reduced pursuant to Section 809 of the IRC.

BREAKDOWN OF TAXABLE AND NON-TAXABLE INTEREST

INTEREST SUBJECT TO TAX

- Interest paid or accrued not reduced by interest income or other fee income and without regard to any federal deductibility limitation or federal capitalization requirements.
- Property transferred by a business enterprise not classified as interest, but the substance of the transaction indicates that the payment was made in lieu of interest, and thus deemed to have been paid. The amount of the deemed interest shall be equal to the amount paid which is in excess of the fair market value of the property transferred.
- Imputed interest on loans at below market interest rates.

NON-TAXBLE INTEREST

- Amount paid, credited or set aside in connection with reserves by insurers to fulfill policy and contractual responsibilities to policy holders.
- Amount paid by VEBA's (Voluntary Employees' Benefit Associations) qualified under Section 501(c) (9) of the IRC to fulfill obligations to members.



BREAKDOWN OF TAXABLE AND NON-TAXABLE COMPENSATION

COMPENSATION SUBJECT TO TAX

- Wages subject to federal income tax withholding.
- Contributions on behalf of employees to qualified pension, profit-sharing and stock bonus plans.
- Contributions on behalf of employees to annuity or deferred payment plans.
- Fringe benefits provided to and included in gross income of employees for federal income tax purposes.
- Imputed interest on a below market compensation related loan between employer and employee.
- The "Compensation for Personal Services" deduction taken on the New Hampshire BPT return by a proprietorship, partnership, or limited liability company pursuant to RSA 77-A:4, III.
- Net earnings from self-employment, not including the "Compensation for Personal Services" deduction from above or net losses from self-employment.
- The remainder, if any, of the guaranteed payments to partners reduced by the New Hampshire BPT "Compensation for Personal Services" deduction.
- Wages paid by an employee leasing company.
- Other payments, including the payment of debts, expenses or other liabilities pursuant to Rev 2402.01.

NON-TAXBLE COMPENSATION

- Payment for independent contractors where no employer/employee relationship exists.
- Payments in the form of or for the following services:
 - IRC 3401(a) (1) Members of the armed forces
 - IRC 3401(a) (9) Ministers
 - IRC 3401(a) (10) Paper boys and girls under the age of 18
 - IRC 3401(a) (13) Volunteers of Peace Corps
 - IRC 3401(a) (14) Group term life insurance on the life of an employee
 - IRC 3401(a) (15) Moving expenses
 - IRC 3401(a) (16) Non-cash tips or cash tips under \$20 and reported
 - IRC 3401(a) (18) Educational assistance
 - IRC 3401(a) (19) Scholarships
 - IRC 3401(a) (20) Medical reimbursements.
- Any tips required to be reported by the employee to the employer under section 6053(a) of the United States Internal Revenue Code.
- Health Insurance.
- Taxpayer's distributive share of net earnings from a trade or business conducted by another business enterprise.
- Self-employment income retained for use in enterprise but not deducted under RSA 77-A:4, III.