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Five Tax Write-Offs You Might Not Know About

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Entrepreneurs might find tax time a bit less taxing this year and next due to some new write-offs covering a range of common expenses for growing businesses.

Here's a quick look at five breaks aimed at certain businesses that you'll want to know about:

1. New-job creators

A new-hires tax credit can give employers a break on their payroll tax if they hired new workers into new job slots between Feb. 3, and Dec. 31, 2010. These workers can't have replaced people who left. They have to add to your headcount. And they have to have been unemployed for 60 or more days prior to you hiring them.

If your business qualified for this deduction, which amounts to 6.2% of your payroll tax, you should have taken from your quarterly payroll tax estimates during 2010. But if you missed it, it's worth going back and amending those quarterly payments to account for the credit, says Jeff Anderson, a partner who works with entrepreneurs at Padgett Stratemann, an accounting firm based in Austin, Texas.

What's more, an additional \$1,000 general business tax credit may be available in 2011 if you keep these new employees for 52 weeks or longer. So if you qualified for the first credit, make sure you qualify for the second one as well, says Stan Ginsberg, a partner in New York with the accounting firm Metis Group.

2. Cell-phone users

Mobile phones used to be counted among items the Internal Revenue Service refers to as "listed property," such as laptops or cars that might be purchased for work or provided by an employer but that lend themselves to personal use. Users had to keep track of their business and personal use for these items and write off the former proportionally.

The IRS has removed cell phones from this onerous list, which means that if you provide employees with cell phones or use one for business yourself, "Your business can write it off directly," says Anderson.

3. Large sport-utility vehicle buyers

This is a great break for entrepreneurs who need an SUV that's heavier than 6,000 pounds for their business, such as a Chevy Tahoe or Ford Explorer. If you bought or plan to buy a new one between Sept. 8, 2010, and Dec. 31, 2011, you may be able write off the full value in a single tax year, rather than having to depreciate it over a few years, as has been the case previously.

"This is a loophole for a lot of taxpayers," says Anderson.

If you really do need this kind of horsepower, this credit could go a long way toward defraying the cost of owning one of these gas guzzlers.

4. New-equipment buyers

In a bid to get business owners to open the till and spend a little, the IRS is offering "bonus depreciation," which is the temporary ability to write off more equipment in a bigger way.

If a business bought or buys new equipment between Sept. 8, 2010, and Dec. 31, 2011, it may be able to write off 100% of the cost all at once. We're talking big items like computers, office furniture and manufacturing equipment. "This was enacted to help manufacturers and help to spark the economy," Anderson says. For this reason, the items have to be purchased new, not used, and put into use during that same period.

Better still, the write-off has no limits on how much you spend and isn't capped by your taxable income, as is the case with the write-off rule this one temporarily supersedes, says Anderson.

5. Employee health-insurance buyers

The small employer health-care credit lets very small businesses write off 35% of the premiums you pay for employees' health insurance. It sounds great, and it is, if you qualify, but there are limits, says Anderson.

To qualify, a business must have fewer than the equivalent of 25 full-time workers. So, for example, you could have 50 part-time workers. The average annual salary across your employees can't top \$50,000, and you must be covering more than half of your workers' health-care costs.

The credit will rise to 50% in 2014, but it will also phase out for employers who pay an average annual employee wage between \$25,000 and \$50,000. "It's meant to give a tax credit to business owners who provide health insurance to lower-wage workers," says Ginsburg, "But it's too onerous to qualify for it. It isn't going to get a lot of play [in places where wages are high]."

Even so, with the number of new tax breaks this year, many entrepreneurs are likely to find at least one that could come in handy this spring.