



## Small Business: New Laws and Tax Planning

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If you're like many small-business owners, you've already started planning your tax strategy for the coming filing season. If not, you'd better get started.

Thanks to several key pieces of legislation, your business could be entitled to added tax breaks, say experts.

The year 2010 was "unprecedented in terms of the number of substantial pieces of legislation that came about," says Barbara Weltman, author of "J.K. Lasser's Small Business Taxes 2011" (Wiley; \$19.95) and a Millwood-based small-business tax specialist.

Among the most significant new laws were the Small Business Jobs Act, which provided \$12 billion in tax breaks for small businesses, and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act, which provides more than \$850 billion in tax breaks, says Weltman.

The laws created or extended breaks set to expire. Among them:

**Increased Section 179 deduction:** The expense and investment limits on certain purchases and equipment eligible under the Section 179 tax code have been increased, says Weltman. Businesses can write off, for example, up to \$500,000 (double the previous amount) of qualified expenditures for new or used assets placed in service after Sept. 8, 2010, through the end of 2011, she explains.

**Extended bonus depreciation:** Bonus depreciation, another first-year write-off for new property that can be used with or in place of a Section 179 deduction, has been increased from 50 percent to 100 percent for qualified assets placed in service after Sept. 8, 2010, and before Jan. 1, 2012, says Weltman. So if you purchased a new machine for \$100,000, you could deduct the entire amount. Other qualified assets could include a cement mixer, a forklift and certain leasehold improvements, according to Weltman.

This is an added bonus for the owners of Sir Speedy of Westbury, which invested heavily in equipment purchases last year, including a digital press bought in November for more than \$100,000, says co-owner Evan Bloom. The tax breaks didn't prompt the purchases, but Bloom says the perk "will definitely benefit us."

**Delisted cell phones:** The removal of cell phones from "listed property" frees businesses from stricter record-keeping requirements, says Weltman.

**Hiring perks:** Under the Hiring Incentives to Restore Employment Act, if you hired an employee between Feb. 4 and Dec. 31 who was unemployed for at least 60 days, you may be exempt from the 6.2 percent employer's portion of the Social Security tax for the 2010 filing season, says Mark Meinberg, president of the Nassau Chapter of the state Society of Certified Public Accountants and managing partner of Feldman, Meinberg & Co. Llp in Syosset. This provision applies to wages paid beginning March 18. If you retain the employee for 52 weeks, you could get a tax credit of 6.2 percent of his or her wages or up to \$1,000, whichever is less, he says. The credit would be claimed on your 2011 return.

**Self-employment tax reduction:** For 2010, the self-employed can deduct health care expenses for themselves and eligible family members in computing income subject to self-employment tax, says Meinberg. This would include expenditures for children under age 27 regardless of whether they're dependents, adds Robert P. Mollenhauer Jr., a partner in Metis Group Llc in Plainview.

**Startup expenses:** If you started a business in 2010, the amount you can deduct for start-up costs has increased from \$5,000 to \$10,000, adds Mollenhauer.

**Business credits:** Eligible businesses can now carry back general business tax credits five years (it was previously one year), says Mollenhauer. The carryback is for credits determined in the first taxable year beginning after Dec. 31, 2009, he notes.

**Extended R&D credits:** If your company does research that's technological in nature and involves experimentation to develop new or improved products or processes, you may be able to get the credit based on research and development costs, says Meinberg.