

Reduce Your Tax Bite With Some of These Credits

By Anne Elliott, CPA

If your business is located in an empowerment zone (EZ) or renewal community (RC), you might be eligible for several tax-savings opportunities. Businesses in these areas, which include parts of Baltimore, Norfolk, and Washington, DC, can take an increased Section 179 deduction on eligible equipment purchases of up to \$35,000 over the normal limit. Certain capital gains are also excluded from income for EZ- and RC-based businesses. Additionally, these businesses can obtain tax credits of up to \$1,500(RC) or \$3,000(EZ) for each employee that lives and works in the applicable zone or community. These benefits are currently available through December 31, 2009; however, President Barack Obama has asked Congress to consider extending them beyond 2009.

Businesses that are not located in these areas can also benefit by receiving up to \$2,400 for hiring 18- to 39-year-old new employees who live in an EZ or RC. This Work Opportunity Tax Credit also targets a variety of other employee groups, such as certain veterans, some youths between 16 and 25, qualified summer youth employees, qualified ex-felons, and vocational rehabilitation referrals, among others.

Going green? Perhaps the business energy credit can assist your green goals. Certain solar, geothermal, and combined heat and power system property can generate a tax credit of 10 percent of the cost of the property placed in service during the tax year. Solar energy property and qualified fuel cell property placed in service between December 31, 2005, and January 1, 2017, can generate credits up to 30 percent of the property cost or basis. Micro-turbine property placed in service during this period can generate a credit of 10 percent of the cost. Grants may be available in lieu of the credit for certain property.

Perhaps you are considering relocating your business to a historic district or building. Credits are available to offset some of the costs to substantially rehabilitate a historic building if done according to preservation guidelines that allow the structure to retain its historic character. Some buildings built in the 1960s or newer may be eligible if they contribute to a historic district. Taxpayers have even been successful in getting their property on the register for historic places to qualify their property for the credit. The federal credit is 10 percent for buildings placed in service prior to 1936 and 20 percent of the qualified rehabilitation costs for certified historic structures. The credit is increased for certain other disaster areas and many states provide a tax credit, as well.

Businesses do not always take full advantage of the tax credits that are available to them. A certain level of expertise is sometimes needed to monitor the requirements of a particular tax credit and that task is often seen as too time consuming for some businesses. However, there are several firms that specialize in a particular credit and that can assist with the detailed documentation for those credits. Such firms may only charge a percentage of the credit ultimately obtained by their client. Your tax preparer should coordinate with these specialists, including even the architects that work with historic rehabilitation applications. Credits also go unused due to lack of communication between businesses and their tax preparers; however, a review with your tax preparer of your hiring practices, business locations, future building or energy efficiency plans may unearth additional opportunities for tax savings.