A Dozen Year-End Tax Moves for Your Business
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Help Minimize Your Company's 2010 Tax Bill

A basic principle of year-end tax saving is, accelerate deductible expenses into this year and defer income until next year. Of course, that doesn't work in all cases. The right strategy for your company depends on several factors, including how you answer these questions:

- Does your business operate on a cash or accrual basis?
- Do you expect a profit or a loss for 2010?
- Do you anticipate that 2011 will bring significantly higher revenue or expenses, or a tax bracket change?

Depending on the answers, you could be better off reserving some tax breaks for next year or pulling income into this year. Assuming your goal is to minimize your 2010 tax bill, here are 12 strategies to consider. (But hurry, time is growing short):

1. *Buy new equipment.* A new "small business" tax law enacted in September provides extra tax incentives to make year-end purchases qualifying for a current "Section 179 deduction." For tax years beginning in 2010 and 2011, the maximum Section 179 deduction is doubled from $250,000 to $500,000, while the phase-out threshold jumps from $800,000 to $2 million. Even better, the new law revives 50 percent "bonus depreciation" for qualified property placed in service in 2010. Your tax adviser can help coordinate these tax breaks for business equipment.

2. *Improve business buildings.* In conjunction with the higher allowance, the new small business law authorizes a Section 179 deduction of up to $250,000 for qualified real estate costs. This includes certain leasehold improvement property, restaurant property and retail improvement property like store expansions. *Caveat:* The regular $500,000 Section 179 allowance for a business (see #1) is reduced by the deduction for qualified real estate improvements.

Enjoy Bigger Entertainment Deductions for a Holiday Party

With the holiday season at hand, you may be generating some fun among the staff with a party -- and you can generally write the whole thing off. Unlike entertainment expenses, which are usually 50 percent deductible, a company-wide get-together should be fully deductible.

3. *Start up a new venture.* Under the new small business law, you can write off up to $10,000 in qualified start-up expenses in tax years beginning in 2010. Therefore, calendar-year taxpayers should begin conducting business by December 31, 2010. For other tax years, the deduction is still limited to $5,000. *Caveat:* The $10,000 deduction for 2010 is phased out for start-up expenses exceeding $60,000 (up from $50,000 for other tax years).

4. *Boost your small business.* The new law also encourages you to invest in "qualified small business stock" (QSBS) before year-end. The maximum tax exclusion for QSBS held more than five years, which was temporarily increased from 50 to 75 percent, is hiked to 100 percent for QSBS acquired between September 28, 2010 and December 31, 2010. This creates a unique opportunity to inject more cash into an existing business.

5. *Hire more workers.* Another new law -- the *Hiring Incentives to Restore Employment (HIRE) Act* -- provides a 6.2 percent payroll tax exemption for qualified workers hired after February 3, 2010 and before January 1, 2011. Furthermore, your business may claim a tax credit of up to $1,000 if it retains the worker for 52 consecutive weeks. To qualify for the *HIRE Act* tax breaks, workers can't have been employed for more than 40 hours during the previous 60 days.

6. *Maximize travel and entertainment (T&E) deductions.* Generally, you can deduct the cost of travel expenses and 50 percent of your entertainment costs incurred for business purposes. To increase your 2010 T&E deductions, reschedule business get-togethers. For example, you might visit a client in late December instead of early January.

Note: Your business can deduct 100 percent of the cost of a holiday party if the entire staff is invited.

7. *Fix up the business premises.* Generally, you may currently deduct the cost of minor repairs to your business building, like replacing broken window panes or fixing leaks. Conversely, the cost of most major improvements must be capitalized (but see #2). Handle repairs before January 1, 2011 to maximize your deduction for 2010. *Caveat:* If repairs and improvements are lumped together, the entire cost may have to be capitalized.

8. *Secure bad debt write-offs.* If customers or clients owe your business money, step up collection efforts at year-end. The business can generally deduct debts in the year that they become worthless. To support your claims of worthlessness, keep records of related activities -- such as dunning letters, e-mails and telephone calls -- in your files.

9. *Examine your investment if you operate as an S corporation.* If you anticipate a loss for your S corporation, keep in mind that shareholders can generally only deduct the loss to the extent of their basis in the corporation's stock. Basis is equal to the amount of your investment in the company, with some adjustments.

While there is time, consult with your tax adviser to find out if it would be wise to increase your investment in your company to allow you to claim the full loss.

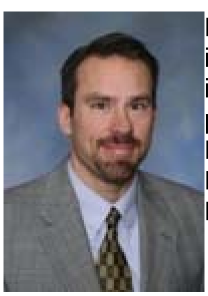
10. *Stock up.* Order supplies that you would normally buy in January and beyond. Don't forget ink cartridges, business cards, stationery, and supplies such as paper towels and coffee. Even if you use a credit card and don't actually pay for the items until 2011 or later, the cost will be deductible this year.

11. *Get a deduction for deferred year-end bonuses.* Accrual-based companies can deduct year-end bonuses for 2010, provided the amounts are paid within the first 2 and 1/2 months of the close of the tax year (by March 15, 2011). And, if the bonuses are paid after the end of the year, employees won't pay taxes on the money until they file their 2011 returns. Lock in these deductions before January 1 by documenting your intention to pay bonuses in your corporate minutes and determining the amounts to be paid.

Caution: This rule doesn't apply to all bonuses. Bonuses paid to C corporation majority shareholders or owner-employers of S corporations must be deducted in the year they are paid.

12. *Pre-pay rent or mortgage.* Cash-basis taxpayers should consider prepaying business rent or mortgage for January by December 31. That provides 13 payments to write off this year.

The key to taking advantage of the above tax-saving moves is to act *before* the end of the year. Consult with **Mark Janulewicz, CPA** for questions about your situation.



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