

New life for tax breaks

Just when it looks like curtains for tax deductions, they're renewed

INTERVIEWED BY DENNIS SEEDS

While it may have looked like certain federal tax breaks that expired either at the end of 2013 or during 2014 were not going to be extended, Congress has renewed them. That's good news for companies. Most, if not all, businesses will be able to use the tax credits.

"An important tax break that is being extended is the research and development credit," says Jenna Staton, Tax Manager for Skoda Minotti.

"Traditionally, the government has wanted businesses to go out and find ways of doing things faster, better and easier, and this will continue to encourage new ideas and innovations."

Another tax break that has been extended is the new markets credit.

"It has been a great program, allowing some low-income communities to rebuild themselves on the backs of the businesses in the community," says Michael L. Minotti, President of Skoda Minotti.

Most of the federal tax-break extensions will be for one year, and Congress may pursue efforts to make certain provisions permanent.

Smart Business spoke with Staton and Minotti about what's in store for businesses on the tax horizon, thanks to legislative action last month.

What are some of the tax credit extensions of interest to businesses?

The employer wage credit, which offers a 20 percent credit to employers when an employee is called to active duty, will be extended. This applies to companies with 50 or fewer employees and has been valuable for companies that hire active duty military members.

MICHAEL L. MINOTTI, CPA President
Skoda Minotti

(440) 449-6800
mminotti@skodaminotti.com

JENNA STATON, EA Tax Manager
Skoda Minotti

(440) 449-6800
jstaton@skodaminotti.com



WEBSITE: To learn more about this topic and how Skoda Minotti can help your business, visit www.skodaminotti.com.

Insights Accounting & Consulting is brought to you by **Skoda Minotti**

The work opportunity tax credit, a federal tax credit available to employers for hiring individuals from certain target groups who have faced significant barriers to employment, also has been extended. These range from unemployed veterans to those with disabilities.

What extensions might benefit a business owner's pocket the most?

Among the larger payoffs is the extension of the 15-year straight-line cost recovery for qualified leasehold improvements, restaurants and retail improvements. Improvements to the inside of a building traditionally would be a 39-year depreciation recovery. This provision allows it to be a 15-year recovery, allowing business owners to offset their expenses over a shorter period of time.

Also on the subject of depreciation, expensing limitations had been increased during the years 2010 to 2013 under Section 179 of the IRS code. These will be extended to include 2014. For instance, a company will be able to write off \$500,000 of equipment purchases whereas the limit had been \$25,000 before the tax credit — a huge benefit.

Are there opportunities to save on tangible property?

For 2014 only, taxpayers have the

ability to take advantage of a late partial asset disposition that allows taxpayers to look back to the year an asset was purchased/constructed and write off any component where two or more of the same component are simultaneously depreciated. Doing so will cause a change in accounting election and will require the filing of Form 3115.

What is happening with the small business deduction for Ohio companies?

The small business deduction is a wonderful measure the governor initiated to stimulate investment in Ohio businesses, not only by residents of Ohio but also nonresidents. A 50 percent deduction is available on up to \$250,000 in business income. For 2014, the deduction will be increased to 75 percent or an exclusion of \$187,500.

There are two obvious benefits: First, it stimulates the economy. It allows Ohio taxpayers to have more money to put back in the Ohio economy and business owners to invest in their businesses. Second, it gives more people a reason to invest in businesses, including outsiders. Given a choice to invest in a neighboring state or in Ohio where profits from the investment could be taxed at a lower rate or nontaxable, it's a nice savings and a motivating factor. ●