

Loads of questions coming their way, accountants say

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With the April 15 tax deadline in the rearview mirror, accountants expect to receive a wave of inquiries from businesses and consumer clients regarding how they can capitalize on tax breaks in the federal stimulus package.

There are three particular items of interest for businesses.

One extends a law implemented by Congress last year that temporarily allowed businesses to recover the costs of last year's capital expenses faster than the ordinary depreciation schedule would allow. It permitted them to immediately write off 50 percent of the cost of depreciable property such as equipment, tractors, wind turbines, solar panels and computers. The stimulus package, known as the American Recovery and Reinvestment Act, extends this benefit for capital expenditures made in 2009.

Stimulus will also extend a 2008 temporary law that allowed small business taxpayers to write off \$250,000 worth of these capital expenditures. That figure is double the \$125,000 allowed in 2007.

Another stimulus incentive allows companies with gross receipts of \$15 million or less to extend the maximum "carryback" period for net-operating



Isdander

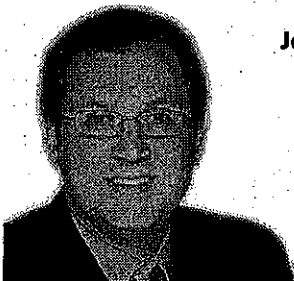
losses from two to five years. A small business can use this provision to amend tax returns from previous profitable years by taking a net operating loss sustained in 2008 and applying it to those returns, yielding refunds. The current law allows losses to be used in the two years prior to the loss. But it will now allow small businesses to go back five years.

Margolis & Co. of Philadelphia partner Jeff Winkleman said most business clients are inquiring about the bonus depreciation extension.

"I think we'll see more of that as we reach the end of the year," Winkleman said.

Scott Isdander of Bala Cynwyd-based Isdander & Co. said many clients will use that incentive for purchases they wouldn't otherwise have been able to make.

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Jeff Winkleman
Margolis & Co.

STIMULUS TAX RELIEF

ARRA has numerous tax breaks for businesses and individuals. The following are some highlights.

BONUS DEPRECIATION — Extending for one year a law implemented by Congress last year that temporarily allowed businesses to recover the costs of 2008 capital expenses faster than the ordinary depreciation schedule would allow by permitting them to immediately write off 50 percent of the cost of depreciable property such as equipment.

EXTENSION OF increased small business expensing — Stimulus will also extend a 2008 temporary law that allowed small business taxpayers to write off \$250,000 worth of these capital expenditures. That figure is double the \$125,000 allowed in 2007.

FIVE-YEAR CARRYBACK of net-operating losses — Allows companies with gross receipts of \$15 million or less to extend the maximum carryback period for net operating losses from two years to five years. Under current law, net operating losses may be carried back to the two years before the year that the loss arises and carried forward to each of the succeeding 20 years.

WORK OPPORTUNITY CREDIT — Employers can claim a credit equal to 40 percent of the first \$6,000 of wages paid to employees in certain target groups, such as former felons, food stamp recipients and disabled veterans. Stimulus expands the eligible target groups to include unemployed veterans and disconnected youth hired this year and next.



Beach

Joe Beach, managing partner of Philadelphia-based Asher & Co., has begun to see some pickup in stimulus-related inquiries but expected more after April 15.

Beach said there are many tax incentives for which individuals can take advantage such as expanded education

tax credits for 2009 and 2010 for individuals making \$80,000 or less or couples making \$160,000 or less, or green initiatives for buying electric cars.

Asher has a large public housing practice and stimulus earmarks \$3 billion for public housing authorities.

"We can help them monitor the funds," Beach said.

Both Winkleman and Beach said they are getting a lot of calls about the \$8,000 tax credit for first-time homebuyers who buy a home before Dec. 1.

"A lot of our clients' children are taking advantage of this and there are a lot of questions about it," Winkleman said.

Isdander said many clients are pleased that President Obama is not rolling back certain tax cuts in 2009 "so high-net-worth individuals can continue to benefit and reinvest into the economy."