

Tips for Taxpayers

Business Owners Common Tax Return Mistakes

It never ceases to amaze me this time of year how many tax preparers miss what I believe are very common credits and deductions. The purpose of the article is to shed some light on the most commonly overlooked tax reduction opportunities.

Planning tip

- Keep a qualified employee for a year and receive a \$1,000 credit on 2011 taxes.

Small Employer Health Insurance Credit:

Businesses with fewer than 25 employees with average wages of less than \$50,000 are entitled to up to 35% credit for premiums paid for their employee's insurance. When this credit was enacted, it was greeted with a certain amount of disdain, because most businesses understood

that it was going to cost them in the long run in higher premiums. While this is probably true, the reality is that very few practitioners have spent the time to go through the intricacies of the credit calculation. A "back of the napkin approach", however, often leaves credit on the table because there are numerous alternatives how the credit is calculated, most notably excluding the owners from the calculation and/or using the days or weeks method of calculating average salary. You can get the instructions to the Credit by searching the instructions for Form 8941 on www.irs.gov.

General Business Credit Carryback: Many business owners carried their losses back to years with taxable income. Oftentimes, those carryback years still included alternative minimum tax (AMT), even after the carryback. Credits are now able to be carried back up to 5 years and even apply to reduce AMT. Before the law change, it could only be carried back 1 year. These credits, including the Employer-Paid FICA on Tips, Energy Credits, Research Credits, Pension Start-up, and Small Employer Health Insurance Credits (see above) should reduce or eliminate any tax you paid over the previous 5 years.

Employer Tax Holiday for New Employees: Employers are not required to pay the 6.2% portion of FICA on employee's wages if they are qualified employees that started between 3/19/10 and 12/31/10. Every business owner should request a Form W-11 for any employee that started during these dates.

Domestic Producers Deduction: Manufacturers and certain service companies qualify for this additional 9% deduction. The service providers often overlook this deduction, since they are not "producing" something. Note that all engineering and architectural firms should consider this deduction.

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This memo is not designed to answer specific questions. Contact your tax advisor to get details on your specific situation.



Mike Bosma, CPA, founded **Bosma Group**, a CPA firm dedicated to serving closely held growing businesses. **Bosma Group** is the ONLY CPA firm in Northern Nevada that specializes in sophisticated accounting and tax advice to small business. Contact Mike by phone at 775-786-4900 or by email: mbosma@thebosmagroup.com

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