



From the Desk of Dean Zerbe.

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Finally Some Good Tax News For Business

by Dean Zerbe

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The daily headlines are chock-full of stories about Congress and the administration finding new ways to raise taxes on small and medium businesses and increase the work of CPAs. While the outlook for the economy and taxes is more black and grey than blue skies, I wanted to bring to your attention some very good news potentially on the horizon: legislation that has been recently introduced by Senator Grassley, Ranking Member of the Senate Finance Committee – S. 1381, the Small Business Tax Relief Act of 2009.

Key provisions of S.1381 include the following:

- Expand Section 179 to \$500,000
- Expand the number of C Corporations that pay the lowest rate
- General business credits would no longer be limited by the individual AMT
- A five-year carryback for general business credits
- Net operating loss carryback for five years
- Section 199 Domestic Production Deduction - 20% for flow-through businesses

Quite frankly, this is the most pro-small and medium business tax legislation I have seen in recent memory, and certainly the only one that has a chance to become law. alliantgroup and its partners were a crucial voice in shaping this important legislation. It was at alliantgroup's Midwest Tax Conference that Senator Grassley heard first-hand from alliantgroup and its partner CPA firms and business clients about several issues that were ultimately included in S. 1381. For example, the benefits of removing the AMT limitation on general business credits was first brought directly to the attention of Senator Grassley and the Finance Committee tax staff at the Midwest Tax Conference and is now included in the legislation. While this legislation isn't moving tomorrow,

it sets an important marker as Congress goes forward, particularly if there is going to be another stimulus bill or as a means of offsetting somewhat the increased costs to business of health care. Senator Grassley is a leader on tax issues in Congress and has a history of working on a bipartisan basis with his Democratic counterpart Senator Baucus.

However, the chances of S. 1381 becoming law will certainly be improved if CPAs and the business community make known their support of S. 1381 to elected officials. It would be a tremendous help to efforts to get S. 1381 enacted if business owners and accountants were to send a quick note or email to their elected officials – Senators and Members of Congress – stating their support for S. 1381: the Small Business Tax Relief Act of 2009. The note or email could be brief, stating support for the bill, including a line or two on how it will benefit them or their clients, and asking them to cosponsor the bill. Having worked in Congress for nearly twenty years – seven of them on the Senate Finance Committee as tax counsel – I can assure you that a personal statement in support of this legislation can have a strong positive impact.

One last comment. While alliantgroup's core mission is to assist businesses in reducing their tax burdens by qualifying for federal and state tax incentives, we see as part of that mission serving as a voice for small and medium businesses and our partner CPA firms in Washington, D.C. One of the key reasons I joined alliantgroup was that I saw first-hand that policy makers and the press were rarely being provided knowledgeable information about the impact of tax legislation on small and medium businesses and CPA firms. It is one thing to talk at 10,000 feet about the tax rates – many can do that in Washington – it is a whole different game to explain in de-

tail the impact of tax legislation to policy makers and the press.

That working knowledge of the tax laws comes not just from me, but the entire alliantgroup team and equally from you all. I have learned enormously from meeting and talking (and yes emailing) with alliantgroup's CPA partners and business clients. I welcome and greatly appreciate your comments regarding this legislation and all tax policy being discussed in Washington.

When the dust settles here in a few days, I will be writing to you about the outlook for taxes in the health care bill. But for now enjoy – and act on – this good news.

As a final note, I'd like to add that having former IRS commissioner Mark Everson join the alliantgroup team recently helps these efforts enormously. Mark is extremely well-respected by Congress and others involved in tax policy here in Washington.

If you would like to discuss this legislation or any other tax-related events in Washington, please email me at dean.zerbe@alliantgroup.com.

Dean Zerbe is alliantgroup's National Managing Director. Dean was formerly Tax Counsel for the Senate Finance Committee and was a key player in all the major tax legislation that has been passed in the last seven years. Dean speaks throughout the country and meets with accounting firms and their clients to discuss the outlook for short-term and long-term changes in tax policy as well as ways accounting firms can help their clients lower their tax bill.

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