

## SAVVY ENTREPRENEUR

# Engage Professional Help In Filing For Tax Credits

*By Morey Stettner*

The best accountants not only handle tax returns, but also help you qualify for tax credits and incentives.

“There are thousands of credits available to small and medium-sized companies,” said Shane Frank, chief operating officer of alliantgroup, a tax advisory firm in Houston. “In addition to federal programs, states and municipalities can offer various tax incentives.”

Tax credits come in all shapes and sizes and can change every year. They usually apply to manufacturers and technology firms.

## Calculate Tax Savings

The domestic production deduction targets U.S.-based companies that “make or design something,” Frank said. Examples include aerospace companies, architectural and engineering firms, and tool and die shops.

Introduced in 2005, this federal deduction has increased in recent years. While often complex to compute, it can result in significant tax savings to the business.

Another popular federal program for business owners is the research and development tax credit. It applies to any company that designs or develops new or improved products, equipment or manufacturing techniques.

An accountant will calculate your company’s past and current R&D activities as a percentage of revenue. Firms with increasing R&D activity can qualify for the credit.

“A manufacturer of any size can get the R&D credit,” Frank said. “The activity and expense that goes into trying to develop a new widget qualifies you, even if you haven’t gone to market with it.”

## Failures Welcome

Many firms that could use the R&D credit do not take advantage of it. That’s partly because it requires special record keeping to track qualified expenses.

Because your R&D spending need not result in the launch of a viable product, the tax credit can prove valuable to those who tinker. Frank’s firm, a specialty tax service provider, often tells entrepreneurs, “We want to hear about your failures.”

U.S. firms involved in domestic manufacturing that export offshore should ask their CPA about another federal tax incentive called IC-DISC. It involves setting up a separate entity with the IRS that collects export-derived earnings from your business.

Consult with your accountant periodically to stay abreast of tax developments. In March 2009, for example, the IRS said small businesses with deductions exceeding their income in 2008 could apply that loss to get a refund of taxes paid in past years.

“The ‘net operating loss carryback’ allows you to carry back 2008 losses to recoup taxes that you paid on profits in prior years,” said Gloria Birnkrant, a CPA and partner at NSBN LLP, a Beverly Hills accounting firm. “It’s especially important this year, when many small businesses have struggled.”

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