

Small businesses lose \$ Millions every year in unclaimed tax benefits.
(by Fritzner L. Altidor, Esq., CPA)

Most small businesses fail to take advantage of various tax benefits available to them, most notably in the area of tax credits.

For example, Jane runs a small laundry and dry-cleaner business. She plans on hiring three (3) new employees. The list of potential candidates includes: a supplemental security income (SSI) recipient, an ex-felon and a SNAP (Supplemental Nutrition Assistance) Recipient.

She also plans to become more energy efficient by investing in solar power and an electric vehicle. Jane also wishes to offer her employees health insurance benefits. Jane plans to spend \$20,000 to develop a software app and \$5,000 to patent her invention.

Jane as a small business owner might be eligible to claim a number of tax credits.

WORK OPPORTUNITY TAX CREDIT (WOTC): Pursuant to (Internal Revenue Code) IRC §38(2), employers who hire and retain qualified veterans and individuals from certain targeted group (TANF recipients, SNAP recipients, ex-felons, Supplemental Security Income recipients, certain summer youth employees, and qualified long-term unemployment recipient) may be eligible for this credit. The employer can earn up to 40% of the qualified employee's first year wages, to a maximum of \$9,600 per employee hired.

However, there are certain steps that must be followed to be eligible for the WOTC, one of which is to obtain certification that the new hired is a member of the targeted group with their state workforce agency.

ENERGY TAX CREDIT: Pursuant to IRC §48, a business energy credit is available for investment in solar energy property as well as geothermal property. Small business taxpayer can claim a credit of 10% of the cost of certain business property placed in service during the tax year to a maximum of \$10,000. Equipment that uses solar energy to generate electricity, to heat or cool or to provide hot water for a structure is qualified for the energy credit.

ALTERNATIVE MOTOR VEHICLE TAX CREDIT: In accordance with IRC §38(b)(26) and §30B(B)(1)(a) Small businesses are entitled to claim up to \$8,000 for alternative motor vehicle credit. However, only hydrogen fuel-cell technology vehicle is recognized by the Internal Revenue Service as qualified vehicle.

HEALTH CARE TAX CREDIT: Small businesses that have less than 25 full-time equivalent employees are eligible to claim the health care tax credit for two-consecutive years toward employees' health care premiums pursuant to IRC §45R. The credit is also refundable against the employer income tax withholdings and Medicare tax liability.

However, to be eligible the small businesses must cover a minimum of 50% of the cost of employee health care coverage, and your employees must earn on average less than \$50,000, and the health insurance must have been purchased through the market place.

RESEARCH AND DEVELOPMENT TAX CREDIT: Small businesses that have developed or applied for patents as well as developing or improving software technologies are entitled to claim qualified research expenses tax credit. Pursuant to 41(h), start-up small businesses can elect to apply a portion of the research credit against payroll tax instead of income tax.

To the extent that these tax credits in aggregate exceed the tax liability, they may be carried back to one (1) year and forward for 20 years.

For questions or more information, please contact COFFYLAW at (973) 375-1804; visit www.coffylaw.com or by Email: emmanuel.coffy@coffylaw.com.