

Look for Cash Flow Opportunities in your Corporate Tax Return

We are already more than half way through the calendar year 2010. Kids are back to school and we are making Thanksgiving plans. As we head towards our last calendar quarter I suggest that business owners or their financial executives take some time out to step back and review their *prior year* corporate tax return. There could be opportunities for additional cash flow infusions into your business. Let's review some of these potential opportunities and perhaps the government can return some of your hard earned tax dollars before the calendar turns again.

- As a majority of the membership is involved in some form of manufacturing, the Domestic production deduction (a/k/a Code Section 199 deduction) remains available to reduce taxable income. For 2009, the deduction generally equals 6% of the lesser of (1) qualified production activities net income for the year or (2) taxable income that does not take the deduction into account for the year. The deduction may not exceed 50% of the W-2 wages allocable to domestic gross receipts. The deduction increases to 9% for 2010. Research and Development
- (R&D) Credits. Is your business developing a new product or process? Are you testing new materials for use in manufacturing? Are you working to increase efficiencies and cost savings in a production process? Each of these activities likely qualifies your company for R&D credits as long as there is an engineering and experimentation process involved. Both the Federal and New York State governments have programs to reward these activities. The Federal credits cannot be used unless the company has a tax liability while the New York program credits are refundable. To qualify for the New York program the company must spend at least 6% of its sales revenues on allocable R&D costs and have under \$10 million in sales and fewer than 100 employees. For the New York R&D program eligible costs include labor, materials and allocable portions of overhead costs such as rent, depreciation, utilities and employee benefits.
- Does your business use alternative fuels for motor vehicles? This could be as simple as forklift trucks powered by propane. The Federal government has a \$0.50 cent per gallon credit that incentivized the vehicle use of propane, compressed natural gas, liquefied natural gas and liquid fuel derived from biomass. A registration process is required to claim these credits. The economic downturn has been tough for many companies. If this is true for your business be sure that all available loss carrybacks have been applied for. Taxpayers may elect for losses incurred in 2009 a special carryback to the third, fourth or fifth preceding tax year instead of being limited to the second preceding tax year. This provision is for eligible small businesses which the IRS defines as less than \$15 million of gross receipts.

The items addressed above can provide significant tax benefits to your business. Davie Kaplan, CPA, P.C. has been successful at helping our clients realize the full potential of these tax incentives, including several that have reached the \$1 million maximum amount (\$250,000 per year) of New York R&D refundable tax credits. If you are interested in learning more about any of the topics mentioned we would be glad to discuss the opportunities available to your business with you.

By Gregory A. Miller, CPA
gmiller@daviekaplan.com
585-454-4161