

# Newsletter

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APRIL 2010

## April 15 is a red letter day in the tax world

Thursday, April 15, is the deadline for filing certain returns and taking certain tax-related actions. Here are the major deadlines.

- Filing 2009 income tax returns for individuals. If you cannot file your return by this deadline, be sure to file an extension request by April 15. The automatic extension (you don't need to explain to the IRS why you need more time) gives you until October 15, 2010, to file your return. An extension does not, however, give you more time to pay taxes you still owe. To avoid penalty and interest charges, taxes must be paid by April 15.
- Filing 2009 partnership returns for calendar-year partnerships.
- Filing 2009 income tax returns for calendar-year trusts and estates.
- Filing 2009 annual gift tax returns.
- Making 2009 IRA contributions.
- Paying the first quarterly estimate of 2010 individual estimated tax.
- Amending 2006 individual tax returns (unless the 2006 return had a filing extension).
- Original filing of 2006 individual income tax return to claim a refund of taxes. Some taxpayers have tax refunds due them for prior years, and unless a return is filed to claim the refund by the three-year statute of limitations, the refund is lost forever.

## **HIRE Act has tax breaks for businesses**

The *Hiring Incentives to Restore Employment Act (HIRE Act)* was signed into law by President Obama on March 18. The law includes temporary tax breaks for businesses that hire workers who have been unemployed for at least 60 days, and it extends for one year the higher expensing limit for business equipment purchases.

**Hiring incentives.** The *HIRE Act* provides \$13 billion in tax incentives to private businesses that hire unemployed workers. Employers can receive an exemption from social security payroll taxes for every qualified worker hired after February 3, 2010, and before January 1, 2011. For new hires kept on

the payroll for at least 52 weeks, employers may qualify for a tax credit for each retained worker of the lesser of \$1,000 or 6.2% of wages paid during the 52-week period.

The payroll tax forgiveness provided in the law does not apply to the Medicare portion of the tax. Also the new employee cannot displace a current employee unless that employee quit or was fired for cause. Relatives of the employer are not considered qualified employees for these tax breaks.

**Increased expensing limits.** The 2009 maximum amount that could be expensed for the purchase of new or used business equipment was \$250,000, with a dollar for dollar reduction once total equipment purchases for the year exceeded \$800,000. The expensing limit fell to \$134,000 for 2010, with phase-out set at \$530,000. The *HIRE Act* retroactively reinstates the higher 2009 expensing limits for 2010. This is a one-year extension only, and it does not include an extension of bonus depreciation allowed last year. Off-the-shelf computer software will continue to qualify for expensing for 2010 purchases.

The *HIRE Act* does not extend the business and individual tax breaks that expired at the end of 2009; nor does it extend COBRA premium assistance. These provisions are addressed in other bills under consideration by Congress.

## Be prepared if you want to get a business loan

Despite the recent bank bailouts, credit is still tight for small business owners. How can you improve the chances of obtaining a bank loan for your small business? Specifically, you will need to gather documents to provide the lender with a complete picture of your situation.

What documents do you need? The list may vary slightly from bank to bank, but typically you'll be required to produce these five items.

**1. Business plan.** Draw up a blueprint for business operations for at least one year. Demonstrate how you expect to use the loan proceeds.

**2. Cash flow projections.** The lender will expect a detailed analysis of what you expect to earn and the manner in which it will be spent.

**3. Prior tax returns.** For an on-going business, provide past returns for a minimum of three years. Owners of start-ups may substitute individual returns.

**4. Financial status data.** The lender will likely ask you to list your main personal assets (e.g., home and cars) and outstanding debts.

**5. Credit rating report.** A good credit history enhances your viability as a borrower. Obtain a credit report from one of the three major reporting agencies – Equifax, Experian, or TransUnion.

The next step is to convince the lender that you deserve the loan. Be prepared to give answers to some basic questions, such as:

- How much money do you need?
- How much do you intend to finance personally?
- How will you spend the money?
- How do you intend to repay the loan?
- What type of collateral do you have to secure the loan?
- What type of expertise do you have in your business?
- How will you proceed if you don't receive the loan?

Project an air of confidence. The lender will want you to show the leadership qualities that can sustain a business through both good times and bad. The interview is as much about you as it is about the business. For assistance in preparing your loan request, give us a call.

be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

