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IT'S BUSINESS TIME FOR TAX-SAVVY COMPANIES

There are many ways to succeed in business. You can provide tried-and-true products and services in a long-established field. Or you can shatter the mold and break new ground. (Maybe you can even do both.)

But, whatever your approach, you'll more than likely get a lot further if you run a tax-savvy company that pays Uncle Sam his due without overpaying and, of course, without falling prey to penalties and interest. And, as year end approaches, now is the time to get down to business.

Higher depreciation deduction available

The Section 179 deduction allows you to expense, rather than depreciate, up to $250,000 in new equipment acquisitions for 2008. This amount was raised from $128,000 with the signing of the Economic Stimulus Act of 2008 earlier this year.

Before you run off to start shopping, though, there are some things you should know. The deduction applies to machinery and equipment — including office equipment and light trucks — that are put in service before year end (or the end of your tax year that begins in 2008). It also applies to certain software purchases.

The equipment doesn't have to be new — it just has to be new to you. But, to qualify, it must be used at least 50% for business in the first year you own it. You can deduct only the business-use percentage of the cost, and, for vehicles, there are weight-related limits on the deductible amounts.

Additionally, for 2008, your Sec. 179 deduction is decreased dollar for dollar if you spend more than $800,000 on equipment. This phaseout amount was also raised (in this case from $510,000) with the signing of the Stimulus act.

Also bear in mind that, under the act, some property may qualify for a special "bonus" depreciation amount equal to 50% of its adjusted basis. Such property includes tangible property with a recovery period of 20 years or less,

computer software purchased by the business, water utility property, and qualified leasehold improvement property. (In lieu of taking bonus depreciation, corporate taxpayers may be eligible to accelerate alternative minimum tax credits or Research and Development credits, under the Housing and Economic Recovery Act of 2008 signed into law in July.)

Because both the Sec. 179 limit increases and the 50% depreciation allowance are currently available only for 2008 and can provide large 2008 deductions, you may want to consider making major asset purchases this year, assuming it makes good business sense to do so.

Accounting methods spur choices

Some key tax moves may be predicated by your accounting method. If you have a cash-basis business, for example, you can delay sending out bills so that you don't receive payments until early next year. In doing so, you can defer taxable income to next year.

Accelerating deductions into the current year is also generally beneficial. To do so, see whether you can pay off your accounts payable before year end to get the deduction into this year's return. And if you're eligible for the installment method, use it to defer income on sales of noninventory property.

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On the other hand, maybe your company is an accrual-basis business. If so, look into postponing product shipments or services provided until early next year (though don't sacrifice customer service in the process, of course). And if you receive payments before you deliver goods or perform services, you can defer the income to next year if you meet certain requirements.

Also consider longer term strategies that allow you to defer income or gain. Among the possibilities are sales of stock to an employee stock ownership plan, installment sales, and like-kind exchanges.

Compensation, benefits offer opportunities

Year end bonuses are a popular way to reward and retain employees. If you accrue employee compensation such as bonuses and vested vacation pay at year end but don't pay it until next year, you may be able to deduct it this year. Your business must be on the accrual method, and you must pay the accrued amounts within the first two months of next year.

The Work Opportunity credit: A tax break extended

The Work Opportunity tax credit has been extended through Aug. 31, 2011. This federal tax credit is available to all private businesses and was designed as an incentive for employers to hire individuals in certain targeted groups that consistently experience high rates of unemployment, including ex-felons, food stamp recipients and disabled veterans.

Hiring such workers can help them acquire the skills and experience needed to be eligible for better, higher paying job opportunities. Meanwhile, you'll gain access to a new pool of potential employees and qualify for a tax break. Generally, the credit can be as much as 40% of qualifying first-year wages you pay to an eligible individual who begins to work before Sept. 1, 2011. The credit is, however, limited to $6,000 per employee ($3,000 for a summer youth employee).

Bear in mind, however, that you can't accrue bonuses and other expenses owed to certain related parties, such as more-than-50% C corporation owners or any S corporation shareholders, partners in a partnership, or members of a limited liability company.

You might also look into whether there are any tax-qualified fringe benefits you might offer employees. Examples include group-term life insurance (up to $50,000), health insurance, parking and employee discounts. Such "statutorily excluded" benefits aren't included in your workers' taxable income, and you'll receive a deduction for them.

Let circumstances guide you

Year end tax planning is something business owners need to spend some time doing every year. But that doesn't mean you should do it the same way every year. Let your circumstances guide you, and work with your CPA to make the best choices. ❐

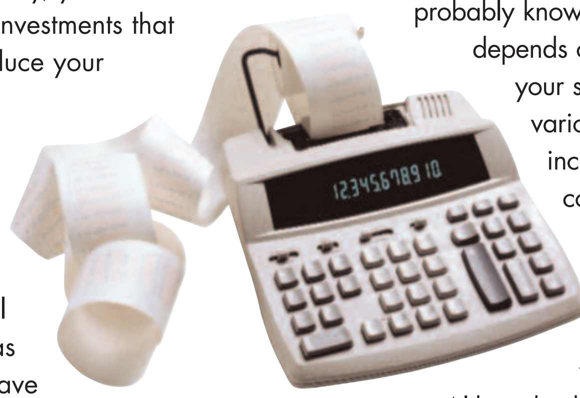
INVEST MUCH?

IF SO, THINK TAXES COME YEAR END

If you're an investor, you probably always have a lot on your mind. Which securities are up? Which ones are down? Is it time to make a move? Well, come year end, you need to also start thinking about something else: taxes.

Harvesting some savings

One way to potentially save some tax dollars is to "harvest" unrealized capital losses and use them to offset capital gains you've already recognized or will recognize this year (including capital gains distributions from mutual funds). Specifically, you need to identify poorly performing investments that you can sell at a loss to reduce your 2008 tax bill.



Do you have short-term gains? If so, this approach may be especially advantageous because short-term gains are taxable at federal ordinary income tax rates as high as 35%. Plus, if you have a net capital loss for the year, you can use it to offset up to $3,000 of ordinary income. Unused capital losses may be carried over indefinitely into future tax years.

Ducking the wash sale rule

Under the wash sale rule, you may not deduct a loss on a security if you acquire a substantially identical security within 30 days before or after the sale. You won't lose the deduction permanently, though. Instead, you add the loss to your cost basis in the replacement security, reducing the gain on that security when it's later sold.

Fortunately, if you want to, you can harvest a loss while minimizing the impact on your portfolio position. Perhaps the simplest way to do so is to sell a security, wait at least 31 days and then reacquire the same security. Of course, this strategy can backfire if the investment rebounds before you buy it back.

Another, somewhat more expensive, way to duck the wash sale rule is to "double up" on the securities and then wait at least 31 days before unloading your original investment. If the price stays where it is, you get the best of both worlds: a deductible loss without disturbing your portfolio. And if the price increases during the waiting period, you still enjoy the rewards.

Also consider selling securities at a loss and immediately buying securities that are similar — but not identical — to the ones you sold. For example, you might replace stock in one company with stock in a comparable business in the same industry.

Parlaying your cost basis

Assuming you've sold a stock or two in your time, you probably know that the amount of your gain or loss depends on your "cost basis." If you sell less than all your shares in a particular investment, there are various methods for determining your basis, including the first-in, first-out (FIFO) and average cost methods.

Generally, however, you're best off selling shares with the highest cost basis. The "specific identification" method allows you to direct the sale of specific shares. Although identifying specific shares being sold has become somewhat of a rarity today, it's still best to notify your investment advisor (or firm) in writing before the sale — even if you place trading orders yourself.

For instance, say you bought 1,000 shares of a particular stock on Dec. 1, 2006, for $10 per share and another 1,000 shares on Dec. 1, 2007, for $20 per share. In December 2008, you decide to sell 1,000 shares, when the market price is $15.

If you don't specify which shares you're selling, FIFO applies, which presumes that you sold the shares you bought in 2006 for a $5,000 gain. If you instruct your broker to sell the 2007 shares, however, you'll have a $5,000 loss. (Please note: You must identify the shares *before* you make the sale.)

Getting a good start

As always, bear in mind that tax considerations are just one aspect of investing. You don't want to sacrifice your portfolio's long-term value for short-lived tax savings. Nonetheless, now is a good time to start thinking about ways to help ensure you don't give Uncle Sam any more than you need to. ❒

4 WAYS TO OPERATE A GREENER BUSINESS (AND SAVE MONEY)

The environmental benefits of energy conservation and reduced pollution are self-evident. Yet more and more savvy companies are finding that "going green" can also reduce costs and please the increasingly environmentally conscious buying public. Here are four ways you can operate a greener business — and save money:

1. Upgrade your facilities. Greening up your business needn't be a complicated endeavor (at least not right away). You can get started by doing many simple, relatively inexpensive things that will cut your costs in the long run. For instance, consider installing motion detectors in break and conference rooms, so that lights automatically switch off when no one is around.

Also, start buying compact fluorescent light bulbs that use less energy. Such bulbs may cost more initially, but they last longer than standard incandescent bulbs. And don't hesitate to think bigger than light bulbs: As you consider equipment purchases going forward, look into Energy Star rated machinery, which can substantially reduce your electric bills.

Greening up your business needn't be a complicated endeavor (at least not right away).

2. Offer employee incentives. Looking to enhance your employees' experience at your company? Companies are increasingly offering employees incentives for doing things that benefit the environment. In doing so, these businesses are improving their odds of retaining staff members who are passionate about the environment as well as of drawing job seekers looking for green companies.

For instance, some companies are now offering workers bonuses for car pooling, taking public transportation, walking or biking to work, and even for buying fuel-efficient cars. The bonuses can take the form of cash or gift cards, or you can devise a point system that rewards

participants with extra time off or a free lunch on the company.

3. Rethink your technology. If you have one or more larger facilities, a more intensive step toward monitoring and lowering your energy consumption (and its associated costs) might be installing an enterprise energy management (EEM) system. These applications allow you to project energy usage for the month, allocate costs by department, and identify and eliminate waste.

A variety of software developers now offer EEM systems, including Carbonetworks Corp. and Optimum Energy LLC. Bear in mind that the software does entail a significant initial investment of money and implementation efforts. So be sure you and your staff are capable and motivated to work with such a system before you buy it.

4. Mind your compliance. Businesses and the general public aren't the only ones paying more attention to the environment. Government agencies are, too. For example, the Environmental Protection Agency (EPA) requires every business, regardless of size, that discharges anything except sewage or gray water (wash water from bathrooms, kitchens, etc.) to adhere to its wastewater requirements.

Generally, the EPA advises businesses to eliminate regulated discharges by using water-based materials that are less toxic. Also, avoid mixing highly toxic wastewater with other discharges, and recycle or reuse wastewater before discharging it. Violations can prove burdensome and costly. ❒

MONEYLINES: NEWS BRIEFS FOR BUSINESSES AND INDIVIDUALS

2009 indexed amounts for Health Savings Accounts (HSAs) released. Do you participate in an HSA, either through your employer or on your own? If so, please note that, earlier this year, the IRS released the indexed 2009 amounts for HSA contribution limits. The maximum annual contribution for family coverage will be $5,950 ($3,000 for self-only coverage), and the additional catch-up contribution limit for qualifying individuals age 55 and over will increase to $1,000.

Survey of working women reveals preference for money over benefits. As you grapple with the question of how to best retain your workers, you may often weigh the relative advantages of compensation vs. benefits. Well, in a recent survey conducted by the AFL-CIO entitled "Ask a Working Woman," 53% of respondents said they'd prefer a 10% raise to more affordable health or child care, a pension, or paid time off. Based on these results, at least, one might conclude that cash remains king.

Flurry of foreclosures transforms bankers into real estate agents. You may have heard a thing or two about the troubles in the housing market during the last year or so. Indeed, there has been a significant rise in foreclosures: Lenders reported repossessing 197,800 homes in the first four months of 2008, more than twice the 90,800 they repossessed in the first four months of 2007. For homebuyers, this may be an opportune time to consider buying a foreclosed home, though any such purchase should involve careful due diligence and the advice of a qualified broker. First-time homebuyers may reap additional benefits. Under the Housing and Economic Recovery Act of 2008, they may be eligible for a refundable tax credit of up to $7,500 if they purchase a home before July 1, 2009.

Business owners cast wary eye on employee-owned smartphones. More and more workers are upgrading their personal cell phones to smartphones, which can store large files, access the Internet and run applications. In fact, 80% of the smartphones being used in small businesses today are employee-owned, according to tech market research firm Gartner Inc. Although this may save employers money (one less hardware purchase to make, after all), there's a risk, too: namely, data security. If you're concerned about staff walking off with sensitive info on their smartphones, consider establishing a company policy regarding personal equipment use and implementing some mobile security software to protect your network.

BRINGING CALM TO CHAOS WITH A FAMILY FINANCIAL PLAN

Nicole and Andy are a married couple with two young kids and full-time occupations. Suffice it to say, they are busy. They never thought their inherent busyness would cause a problem until recently, when they realized that their family's finances were in complete chaos.

They had debts piling up, and they were already worried about funding their children's college education, yet they had no plan for how to manage their money. In light of their situation, the couple decided to pay a financial advisor a visit and see what suggestions she might have for bringing some calm to their chaotic financial situation.

The advisor explained that what they really needed was a financial plan that encompassed all of their income, debts, savings, and short- and long-term goals. After all, she explained, financial planning should never be a one-time (or even a once or twice a year) thing. Rather, it should be an ongoing process of selecting and applying specific strategies to reach your financial goals.

Get some perspective

Like many people, Nicole and Andy lacked perspective. They could see parts of their financial situation but not the whole picture. Their advisor pointed out that a financial plan can help by showing the couple their assets and liabilities, what money they have coming in, and just how much they need for basic, regular expenses as well as for major, periodic expenses.

A financial plan will also help them estimate what they can put aside for future security (including their children's education and their own retirement) and how much they can afford for luxuries. In other words, it can allow Nicole and Andy to establish some reasonable expectations regarding their income and expenses.

Change with the times

Of course, their finances are likely to change over time, so they'll need to regularly revisit all related areas and factor in any changes that stand to affect their ability to achieve their goals. These might include revisions to their current and future living expenses; federal, state and local income tax obligations; and insurance policies (such as property, auto and life).

As time goes on, they'll also need to reevaluate their investments, retirement savings and estate plan. Keeping tabs on factors like these will more than likely make their lives much easier. And it will specifically be of great help in planning for funding their children's college educations, which, as mentioned, is one of their chief concerns.

Find peace of mind

Thanks to their financial advisor, Nicole and Andy were finally able to find some financial peace of mind. Of course, it wasn't easy — they had to put a certain amount of work into researching their financial situation, gathering the data and collaborating with their financial advisor to devise the plan. Nonetheless, both agreed that the effort was well worth it. ❒

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