

BUSINESS INCOME TAX CREDITS

We will make sure you receive all available benefits from the Income Tax Credits available for your business. Some of the available credits include:

Disabled Access Credit – 50% of expenses to make your business handicap accessible, \$5,000 maximum credit.

Employer-Paid FICA on Tips – 100% of tax paid on tips above \$5.15 per hour.

Energy Credits – Ask for our Energy Credit Brochure for details.

Low Income Housing – 70% of qualified building basis over 10 years.

Research Credit – 20% of research expenses over base amount.

Work Opportunity Credit – 40% of \$6,000 of first-year wages. For qualified disabled veterans hired after May 25, 2007 the credit may be claimed for up to \$12,000 in qualified first year wages. Expanded to include rural renewal counties (counties located in rural areas of states that had population loss as confirmed by 2000 census and approved by IRS listing. Effective 5-26-2007).

Welfare-to Work Credit – Repealed effective for employees hired after 12/31/06. In 2007 added as a new target group for the work opportunity credit. 40% of first-year wages and 50% of second year wages: for wages up to \$10,000 each year.

Small Employer Pension Plan Startup Cost Credit
For 2007, certain small business employers that did not have a pension plan for the preceding three years may claim a nonrefundable income tax credit for expenses of establishing and administering a new retirement plan for employees. The credit applies to 50% of the first \$1,000 in qualified administrative and retirement-education expenses for each of the first three plan years.

CAUTION: Use of Tax Credits may increase the possibility that you or your business may be subject to the Alternative Minimum Tax

ENERGY EFFICIENT HOME BUILDERS CREDIT

A \$2,000 per dwelling credit is available to the builder of a home that consumes 50% less energy than comparable homes. The energy usage must be “certified.” See us for details.

COMMERCIAL BUILDING ENERGY-EFFICIENT PROPERTY DEDUCTION

A business may deduct, rather than capitalize and depreciate, the cost of energy-efficient lighting, heating, cooling, ventilation, hot water or the building envelope. The energy efficient property must reduce energy usage by 50% and must be “certified.” See us for details.

ESTATE TAX PLANNING

Estate Taxes: Although the estate tax exclusion amount increased to \$2 million in 2007, many families will still be required to pay estate taxes. Planning today can save hundreds of thousands of dollars later. Techniques such as annual gifting and the establishment of trusts should be considered by most of our clients. With careful planning, you can help the next generation keep the family business.

Family Limited Partnerships: Substantial tax savings might be achieved by establishing a Family Limited Partnership.

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INCREASE YOUR BUSINESS DEDUCTIONS

Domestic Production Activities Deduction:

- In 2007, the deduction is 6% of the lesser of taxable income derived from a “qualified production activity” or taxable income, limited to 50% of W-2 wages paid by the taxpayer allocable to the taxpayer’s domestic production gross receipts during the calendar year ending in the taxpayer’s taxable year.
- In 2010, the deduction increases to 9%.

Depreciation: Proper planning and the ability to deduct up to \$125,000 of equipment purchases in 2007 will maximize your depreciation deductions.

Vehicle Deductions: Maximize your auto deductions by keeping a log or calendar. Are you thinking about an SUV or truck? Your next vehicle could be worth more in tax deductions if it weighs more than 6,000 lbs loaded.

Compare: \$40,000 Luxury Auto vs. \$40,000 Heavy SUV

Depreciation Type	Auto	SUV
§179 Depreciation	\$ 0	\$25,000
Regular Depreciation	\$ 3,060	\$ 3,000
2007 Total Depreciation	\$ 3,060	\$ 28,000

State Tax Credits: Do not overlook Kansas credits for:

- Property taxes on business equipment
- Health insurance provided by the employer
- Jobs tax credit

Vehicle Lease: Consider leasing your next luxury vehicle.

Vacations: You might be surprised how easy it could be to deduct your next vacation.

Children: Consider employing your children. Many families can deduct a child’s “college savings” by employing the child in their business. Most children will not pay any income tax and will also be exempt from social security withholding until the age of 18.

Biz-Plan: You may qualify to deduct 100% of your health insurance and medical expenses by employing your spouse in your business.

MAXIMIZE BUSINESS RETIREMENT ACCOUNTS

Pension Plans: Consider establishing a pension plan for yourself and your employees. Many plans, including 401(k), SIMPLE and SEP IRAs provide great benefits and flexibility.

Your business can establish many types of Pension Plans including:

Employer Contribution		Contribution Limit	
<i>Minimum / Maximum</i>		<i>Employee / Employer</i>	
SIMPLE Plan			
2%	\$10,500	\$10,500	3%
<i>(if Age 50+)</i>	\$13,000	\$13,000	3%
401(k)			
0%	25%*	\$15,500	\$45,000 **
<i>(if Age 50+)</i>		\$20,500	\$45,000 **
401 (k) "Safe Harbor" Plan			
3%	25%*	<i>Same as 401(k)</i>	
Profit Sharing Plan			
0%	25%*	N/A	\$45,000 **
Combined Profit Sharing / 401 (k) Safe Harbor Plan			
3%	25%	\$15,500	\$45,000 **

* *Combined limit for all employees.*

** *Combined employer/employee.*

Under special conditions you may also want to consider a Defined Benefit Plan or an ESOP (Employee Stock Ownership Plan). See us for details.

SELECTION OF ENTITY

You have many choices when you start a business. The selection of the type of business entity could save you thousands of dollars. The following options should be considered:

- Sole Proprietorship
- Single Member LLC
- Limited Partnership (LP)
- General Partnership
- Limited Liability Company (LLC)
- Corporation – “S Corp”
- Corporation – “C Corp”

Which entity is right for you? We can help you make the right decision based on your situation.

SPECIAL DIVIDEND TAX RATES

C Corporations should consider if this is the right time to pay dividends to shareholders. A special 15% Federal Income Tax Rate applies to dividends through 2010, (5% for individuals in the 10% and 15% tax brackets, 0% in years 2008-2010). In 2011, the maximum rate is scheduled to go back to 39.6%, thus a dividend now could save you up to 20%.

TRAVEL AND ENTERTAINMENT DEDUCTIONS

The IRS imposes a number of restrictions and limitations related to Travel and Entertainment deductions. With proper planning you can develop a policy to maximize these deductions, for example:

- Christmas Parties and other employer provided employee parties are not subject to the 50% deduction limit.
- Per Diem Travel Reimbursement – You can reimburse employees for each day spent traveling, without requiring receipts. The rates as of 10/01/07 are:

- Meals \$ 45 per day
- Lodging \$ 107 per day
- Total Reimbursement \$152 per day