Saavy business owners are lining up to meet with their accountants to take advantage of year-end tax tips.

Planning Ahead Can Lower Tax Bills

It's not too soon to be thinking about tax season. Planning carefully before 2004 ends could make a big difference in a company's tax bill in 2005.

"Small business owners need to get their books in order, find out where they stand and determine whether any planning opportunities exist," said Briley Shirah, a certified public accountant (CPA) and tax manager at Mobile accounting firm Russell, Thompson, Butler & Houston LLP. "It's very important to do (plan) ahead of time to minimize taxes."

Many experts recommend deferring income until next year and pre-paying some 2005 expenses to minimize taxes. Shirah noted companies using accrual-based accounting may have more options than those operating on a cash basis.

"Accrual-basis taxpayers can accrue employee bonuses that don't have to be paid until the tax return due date," said Shirah. "You can also accrue charitable contributions."

Accrued expenses must be documented correctly and paid by the time the 2004 return is filed.

Expediting equipment purchases is another way to reduce taxes. Business owners should be aware of deadlines and limits.

"2004 is the final year for bonus depreciation," said Mark Hieronymous, a partner with Hieronymous, Gaillard & Jones LLC of Mobile and a CPA. "Bonus depreciation allows businesses to write off up to 50 percent of the asset cost of new personal property the first year and then depreciate the remainder over the life of the asset."

Both CPAs recommend using section 179 deductions. This provision allows business owners to expense up to $102,000 in personal property acquired in 2004 if total qualifying asset purchases do not exceed $410,000. Unlike bonus depreciation, section 179 also covers used equipment purchases. "You want to use section 179 as much as you can," said Hieronymous, noting this provision is available through 2007.

In the wake of Hurricane Ivan, both Hieronymous and Shirah advise small business owners to use business casualty losses to reduce their tax bills.

"Since this area has been declared a disaster area as determined by President George Bush, businesses and individuals are allowed either to take a casualty loss in the year the loss occurred or to carry it back to the prior year," said Shirah.

Carrying a casualty loss back to 2003 requires amending the 2003 tax return before the 2004 return filing date.

To take the casualty loss in either year, "Business owners need to make sure they file their insurance claims," said Hieronymous. "If they have inventory damage, they need to write that off in this year."

The accountants' number one recommendation is sitting down and meeting with a certified public accountant to determine the current tax status of the business for the year's end.

"If you're having a good year and were planning on adding some equipment next year, we can expedite the purchase to help you save some money this year," said Hieronymous.

Shirah agreed. "We want them to consult us before the end of the year," he said. "We can analyze their current situation and plan accordingly."

Small Business Tax Tips

- Unlike personal income, business income is not taxed – only the profit on a business is subject to taxes.
- The Self-Employment Tax is independent of profit.
- Keep all your receipts.
- Deducting your home office and associated expenses provides excellent tax breaks.
- Turn non-deductible vacation expenses into deductible business travel.
- You must set up most retirement plans by Dec. 31 in order to get a tax deduction for the current year.
- Hire your kids and save on taxes.
- You can deduct up to $100,000 of capital equipment costs ranging from computers to certain sport utility vehicles.

Source: www.turbotax.com

Mobile Area Chamber Member Accounting Firms

Cherry Bekaert & Holland LLP	McKean & Associates PA
Crow, Shields & Bailey PC	Morrison & Smith CP LLP
Dudley, Ruland, & Chateau PC	Mostellar & Shreve CPA
Goodloe, McDermott & Headrick CPA	Jerome C. Olsen CPA PC
Keith A. Graham CPA	Russell, Thompson, Butler & Houston LLP
Gregory, Ladner & Koger	J. David Sandley
Robert Hall & Associates	Seibert, Baxter & Co. PC
Hieronymus, Gaillard & Jones LLC	Smith Dukes & Buckalew LLP
Terry Jones & Associates PC	Wilkins Miller PC
Lawrence & Lawrence PC	Wood, Singleton, Hicks & Haisten

For contact information, visit www.mobilechamber.com. *As of Oct. 20, 2004*