

Less Taxing

Many business owners should expect refunds this year, thanks to Obama's stimulus plan. What do retailers need to know to cash in? << **By Jocelyn Anderson**

President Barack Obama is focusing on the small business owner in his efforts to cure the ailing U.S. economy.

As part of a new aid package detailed on March 16, several temporary tax benefits could help a large group of retailers — many recording higher losses than ever.

"Small businesses are suffering," said Guy McPhail, president of Zdenek Financial Planning in New York. "There are a lot of cash-flow opportunities available here [that could put] money back in their coffers."

One major change, just for 2008 returns, is a three-year extension to the claim period for net operating loss carry-backs. That means, for small businesses that earn \$15 million or less and report a loss for 2008, the owner can file amended returns

going back as far as five years, when taxes were paid on profit, basically deducting the loss from prior taxes paid.

"It's a good break because you are going to get a refund of your own money from the taxes you paid, and that's money you can use for your business," said Barbara Weltman, a tax attorney and author of "J.K. Lasser's Small Business Taxes 2009."

Obama's stimulus plan also allows for greater writeoffs on investments in 2008. Small business owners may now deduct as much as \$250,000 in equipment, furniture and other large expenses as part of Section 179, which previously allowed \$125,000.

For many retailers, deductions are the best way to offset major profits. "You can maximize your writeoffs if you keep track of everything you do," said Darlene Gardner, co-owner of the Antonia boutique in Newport Beach, Calif. "It's a lot of work, but at the end of the year, it pays off."

If Section 179 is less attractive — in part, because a

retailer spent much more than \$250,000 in 2008 — they can take a larger depreciation deduction, of as much as 50 percent.

In addition to deductions, small business owners can take advantage of several tax credits. For example, hiring people from certain targeted groups helps defray some of the wage costs. The stimulus plan has added two more groups to that list: unemployed veterans and youths who lack education and basic skills. Credits can amount to as much as \$2,400 per employee.

Another change for 2008 — though not part of Obama's plan — will benefit all small business owners who use their personal cars for work. The amount of money that can be deducted on mileage increased from 48.5 cents per mile in 2007 to 50.5 cents a mile for the first half of 2008, and 58.5 cents a mile for the second half of the year.

"A lot of people don't realize that your mileage, insurance



Clockwise from top left: Darlene Gardner, co-owner of Antonia; Antonia in Newport Beach, Calif.; Guy McPhail, president of Zdenek Financial Planning.

and registration of your car can be written off as a business owner," said Gardner. "Every time you get in your car to go to the bank, log it."

At Item Shoes & Accessories of Larkspur, Calif., co-owner Joy Goldberg uses the software program QuickBooks to keep track of her business expenses. "[It] helps because it's all visual," she said. "It's not stuffed in an envelope in a drawer." She does, however, go to an accountant with that information for her tax preparation.

A certified professional certainly can help explain the new rules. Chuck Gordon, owner of Gordon's Shoes in Pittsburgh, said he would be asking about whether any of the stimulus plan pertains to his business. "It's important because of the changing landscape in taxation," he said. "If you have professionals who help you, you have to rely on them to bring these [details] to your attention."

Smart Money

Footwear News asked Zdenek Financial Planning President Guy McPhail and a few retailers for their top tax tips for small business owners who want to take advantage of every option available for 2008.

Dos:

Take advantage of the stimulus plan. *The initiative is meant to ease the burden many small businesses are experiencing.*

Look at alternate ways to create cash flow.

"We look at [the books] quarterly," said Tom Mendes, owner of Plaza Too, with stores in New York and Connecticut. "We need to prepare for cash flow, so we do need to be aware of [the numbers]. I wish it was a problem of what to do with all the profits, but unfortunately, that's not the case right now."

Investigate net operating loss benefits. *You can get cash back on taxes you paid on profits from 2003 to 2007 filings if you have a loss for 2008.*

Consult an accountant. *Many of the tax changes this year are complicated and require the help of a professional. "I'm not skilled enough or trained enough to do it properly," said Joy Goldberg, co-owner of Item Shoes & Accessories in Larkspur, Calif. "So [my bookkeepers] come in on a monthly basis, and I have a separate accountant."*

Don'ts:

Don't neglect your business numbers. *You could end up paying more taxes than you should.*

"Maybe there are more savings that you haven't thought about," Mendes said. "For example, if you have multiple stores and you are transferring products back and forth through freight, that can be deducted and come off the margin."

Don't put off filing your tax return. *If you have a loss, you will have to wait that much longer for your refund. If you have a profit, you will still need to pay your estimated taxes by April 15.*

Don't overlook inventory numbers. *Much of your inventory can be written down to current market value and written off on your taxes.*

Don't cheat. *"It's not worth it," said Darlene Gardner, co-owner of Antonia boutique in Newport Beach, Calif. "There are a lot of things in life that you can cheat in, but taxes are not one of them."*