



## Pay close attention to tax credits

If you want to deduct a business equipment purchase on your [taxes](#), you have just a few days left to buy.

That's one of the year-end tax tips provided by Mary Guldán Lindstrom, owner of FOCUS CPA, and a Green Bay [SCORE](#) volunteer. "In some cases, businesses can fully depreciate the asset in the year it was purchased," Lindstrom said. "It will depend on the type of asset, because there are limitations." Whether the deduction is taken in full or depreciated is a choice that can be made after Dec. 31. However, the purchase of equipment must be before the end of the year.

Lindstrom said it is one of numerous issues that [businesses](#) will need to consider when filing taxes this year. There have been many changes, and there are considerable challenges to completing the paperwork needed for the IRS. "There are quite a few short-term incentives that were put in place in an effort to boost the economy because no one can seem to agree on long-term solutions," she said. "Some of the tax credits are extremely complicated, and the accounting fees can mitigate much of the benefit."

As an example, the tax credits for hiring and health care are very restrictive. These are new credits that have been written without providing rules to go along with them. Lindstrom said the credits sound good, but it's very difficult to meet the criteria — and time-consuming to file the forms. With so many changes, businesses are concerned. "There is too much coming at them and what they don't know could hurt them," Lindstrom said. "It's not a good idea to go into denial and ignore the changes, because you need to be aware of your risks."

The risks are not taking advantage of some of the benefits or being exposed in the event of an audit. While a business has a relatively small chance on an in-office audit, technology has allowed the IRS to increase the number of audits by doing mail audits. These are up 143 percent this year. "They send you a letter in the mail, and you have to provide documents and send them back to the IRS," Lindstrom said. "Businesses think that getting a letter from the IRS is one of the worst things that can happen, but actually the worst thing would be ignoring a letter from the IRS."

As [computers](#) get faster, the IRS is finding it easier to double-check figures, and if tax returns don't match information submitted by outside vendors, your business could be vulnerable.

For the first time, the IRS is requiring credit card companies to file a 1099-K form showing payments to businesses from customers. The 1099 has been expanded in the past few years in an attempt to keep businesses or independent contractors from unreported [income](#).

Overall, changes will complicate small business tax filings, and Lindstrom recommends working closely with your accountant to prevent errors and take advantage of credits.

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