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The accounting firm Brown Smith Wallace has been counseling its business clients on ways to save money on their taxes by taking advantage of some government incentives.

I talked with two of the firm's accountants last week about the tips they give their clients. Cathy Goldsticker, a member of the tax services division at Brown Smith Wallace, advises clients to take advantage of bonus depreciation and Section 179 expensing provisions.

"There have definitely been significant changes," she said. "Over the years, intermittently, we've had bonus depreciation of 50 percent of your cost, but now they've switched it to 100 percent. That's a big thing. Now I say to my client, 'You have a choice. We can take bonus depreciation at 100 percent, or we can take Section 179 and write off the whole thing.' Both could achieve the same thing, except there are some limitations."

For Section 179, she noted, businesses have to make a profit or they can't write off the expense. With bonus depreciation, it doesn't matter whether the business made a profit. Accountants should check with their clients whether they want to take the entire write-off this year or save some of it for next year.

Goldsticker also encourages her clients to take advantage of new deductions for leasehold improvements and off-the-shelf software purchases. For clients who are manufacturers, she tells them about the Domestic Production Activities Deduction, which has risen from 3 percent to 9 percent in 2010. And not only manufacturers now qualify. Architects and engineers are also now eligible for the deduction, Goldsticker noted.

Businesses can also take advantage of new incentives for energy efficiency. Nick Lombardi, manager of the energy services group at Brown Smith Wallace, pointed to the Section 179D tax provisions for commercial buildings as one of the main tax benefits available in this area. “That allows up to a \$1.80 per square foot tax deduction for certain energy efficiency improvements,” he said.

He noted that there have been some changes in the Section 179D program in the past year. For example, the program has been extended through the end of 2012, thanks to the Recovery Act. In January, the IRS issued a revenue procedure that’s applicable to architects and engineers who design buildings for government and nonprofit entities, allowing them to go back to 2006 to claim the deduction on their current year’s return, Lombardi noted. That’s available for future years too.

He also recommended taking advantage of investment tax credits for businesses that install energy-efficient equipment, which can be for 20 or 30 percent of the total investment. Many of the investments are also eligible for bonus depreciation. “You really get a huge benefit out of the renewable project,” Lombardi noted. He advises clients and accountants to find more information on the various energy efficiency deductions on an Energy Department site, www.dsireusa.org.