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Jamie Herzlich BUSINESS • COLUMNISTS

## Just when business owners thought tax breaks were settled, uncertainty returns

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For years, small businesses dealt with uncertainty each year as they waited to see if certain key tax breaks would expire or be extended. Thanks to the Protecting Americans From Tax Hikes Act of 2015, dozens of these tax breaks were either extended or made permanent, including the popular Section 179 deduction on new or used equipment.

Those breaks continue for the 2017 tax filing season. But now, with the Trump administration contemplating tax reform, experts say businesses should optimize these tax breaks this filing season, because it's unclear what changes may lie ahead.

The 2016 tax year "may be the last year for these breaks as we know them because pending tax reform could change everything," says Barbara Weltman, a Vero Beach, Florida-based small business tax specialist and author of "J.K. Lasser's Small Business Taxes 2017" (Wiley; \$22.95).

President Donald Trump has promised to slash the current 35 percent corporate tax rate, but the devil is in the details.

"There are proposals out there, but it's too early to say what exactly they're going to be," Weltman says.

With that said, she advises businesses to take advantage of some of the breaks available on 2016 returns.

Among them is the Section 179 deduction on qualifying new and used equipment such as office equipment and business machinery placed in service by year-end, Weltman says. That deduction is capped at \$500,000 in 2016 and begins to phase out when purchases exceed \$2,010,000, she says.

For new equipment purchases there's an additional 50 percent first-year bonus depreciation allowance, generally taken on bigger purchases after the Section 179 spending cap is reached, Weltman says.

But Diane Giordano, a tax partner at Marcum LLP in Melville, thinks Section 179 won't face the chopping block due to its popularity and the fact that it gives businesses an incentive to purchase equipment.

Teresa Ferraro, president of East/West Industries Inc. in Ronkonkoma, which designs and manufactures aircraft seats and crew life-support systems, certainly hopes not.

"Being in the growth environment we are in, we plan to utilize it year after year," she says, noting the company in 2016 made about \$250,000 worth of machinery purchases and is moving into a new larger facility this month.

Companies that fear Section 179 may go away may be pleasantly surprised to get an even bigger tax break on capital expenditures, says Mark Luscombe, principal federal tax analyst for Riverwoods, Illinois-based software provider Wolters Kluwer Tax & Accounting.

Trump and the House Republican Tax Blueprint have proposed allowing full expensing of capital acquisitions with some possible strings attached, such as loss of business interest tax deductions, he says.

While lowering the corporate tax rate might benefit certain industries, others may find "it's a closer call if they will pay a lower rate under new reforms or current law," Luscombe says.

At least one tax credit that Trump and House Republicans have expressed interest in keeping is the research and development credit, he says.

For 2016 filing purposes, there are new options to that credit: Small businesses without any income in the preceding five taxable years (i.e., startups) can use the credit for qualified research and development expenditures to offset up to \$250,000 of the employer portion of Social Security taxes (part of FICA), Weltman says. Previously, it could only be used to offset income tax liability.

And for the first time the credit can also be used to offset the alternative minimum tax for certain businesses and individuals, Giordano says.

Another change this filing season is in the Work Opportunity Tax Credit, a credit for hiring members of certain targeted groups. It now includes long-term unemployment recipients (those unemployed for at least 27 weeks), she says.

This credit could range from \$2,000 to \$9,000 per year and last up to two years per employee depending on the employee class, Giordano says.