

# American Recovery And Reinvestment Act Of 2009: Laws Affecting Businesses

## New Categories Added for Work Opportunity Credit

Two new categories added for individuals hired in 2009 and 2010.

A new law expanded the Work Opportunity Tax Credit (WOTC) to include two new targeted groups: unemployed veterans and disconnected youth.

A “veteran” is an individual certified as either having served on active duty in the U.S. Armed Forces for more than 180 days, or having been discharged or released from active duty in the U.S. Armed Forces for a service-connected disability. An “unemployed veteran” is a veteran who is certified by the designated local agency as having been discharged or released from active duty in the Armed Forces at any time during the five-year period ending on the hiring date, and being in receipt of unemployment compensation for not less than four weeks during the one-year period ending on the hiring date.

A “disconnected youth” is any individual who is certified by the designated local agency as having attained age 16 (but not over the age of 25) on the hiring date, not regularly

attending any school during the six-month period preceding the hiring date, not regularly employed during that six-month period, and not readily employable by reason of lacking a sufficient number of basic skills.

With the additions of unemployed veterans and disconnected youth, there are a total of 11 targeted groups for calculating the WOTC: (1) qualified members of families receiving assistance under the Temporary Assistance for Needy Families (TANF) program; (2) qualified veterans; (3) qualified ex-felons; (4) designated community residents; (5) vocational rehabilitation referrals; (6) qualified summer youth employees; (7) qualified members of families receiving Food Stamp assistance; (8) qualified Supplemental Security Income recipients; (9) long-term family assistance recipients; (10) certain unemployed veterans; or (11) disconnected youth.

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## Solo 401(k) Option Increases Retirement Savings

If you're the sole owner of a business, you may wish to consider the implementation of a solo 401(k) retirement plan to accumulate retirement savings on a tax-deferred basis.

Self-employed taxpayers can contribute to a solely owned 401(k) retirement plan as both employer and employee. As an employer, you can contribute up to 25 percent of your total net earnings to your retirement plan; as an employee, you may also contribute an additional \$16,500 in 2009. If you are age 50 or older, you can contribute an additional \$5,500 for a total of \$22,000.

## THE SECTION 179 EXPENSE DEDUCTION FOR BUSINESS EQUIPMENT PURCHASED IN 2009 REMAINS AT \$250,000.

Your maximum contribution to a solo 401(k) plan is the lesser of \$49,000 or the sum of your employer and employee maximum contributions. The solo 401(k) plan provides you with an additional opportunity to maximize your yearly retirement contribution. As an added bonus, this type of plan, unlike other retirement plan options, allows participants to take out loans from the plan.

## The 50 Percent First-Year Bonus Depreciation Has Been Extended

The 50 percent first-year bonus depreciation is now available through December 31, 2009. The additional bonus depreciation is taken on top of the regular depreciation allowed for property placed in service for tax year 2009. With this larger deduction in the first year, the depreciation expense in later years will be smaller. If you'll have more income in later years, and would like a larger depreciation deduction in those years, you can opt out of taking the 50 percent first-year bonus depreciation.

To qualify for the 50 percent first-year bonus depreciation, the property you purchase must have a useful life of 20 years or less, be depreciable computer software, be water utility property, or be qualified leasehold improvement property. Qualified leasehold improvement property is nonresidential real property that has improvements made to the interior of the building pursuant to a lease, and made more than three years after the property was placed in service.

## Meal Rates for Day Care Providers

Keeping track of meal expenses is easier than ever! If you provide day care services in your home, some of the most difficult expenses to track are meals.

The IRS has made it easier for you by allowing a standard meal allowance that can be used in lieu of actual expenses. The chart outlines the meal rates allowed for 2009.

Meal	Alaska	Hawaii	All Other States
Breakfast	\$1.86	\$1.36	\$1.17
Lunch/ Dinner	\$3.53	\$2.55	\$2.19
Snack	\$1.05	\$0.76	\$0.65

## New Rules for Net Operating Loss Carrybacks for 2008 Only

### Change In Law Extends Carryback Period Up To Five Years

If you carry back a net operating loss (NOL) from a tax year beginning or ending in 2008, a new law allows you to carry it back up to five years instead of two. Only small businesses with average annual gross receipts of \$15 million or less qualify for this rule. The new law gives these businesses the choice of carrying back an NOL three, four, or five years.

## Involuntarily Separated Employees Can Elect To Pay Only 35 Percent Of COBRA Coverage

*A new law allows individuals who are involuntarily separated from employment between September 1, 2008, and January 1, 2010, to elect to pay 35 percent of their premium for COBRA coverage and have it treated as being paid in full.*

*The former employer will be required to pay the other 65 percent and will be reimbursed through the filing of Form 941. The amount will be credited against income tax withholding and payroll taxes the employer is otherwise required to remit to the federal government. The maximum period for which the subsidy can be provided is nine months.*

The increased carryback is elective, but you must make the election by the due date, including extensions, for the 2008 income tax return. Therefore, if you obtained an extension to file your 2008 Form 1040, generally you'd make the election by October 15, 2009. Once the election is made, it is irrevocable and cannot be changed.