

TIP BOX

Five tax tips for small businesses

■ Incorporate

Although most small businesses are sole proprietorships, there are significant tax benefits and additional protection to operating a corporation. If your business is not incorporated and you are serious about staying in business, incorporate. Don't mix your personal finances with your business finances.

■ Documentation

You'll need to prove revenue sources and expenses. So keep a detailed account of your miscellaneous transactions for up to 10 years. The Internal Revenue Service can audit you at any time for up to the past three to 10 years depending on the type of corporation, and you'll need to have proof of expenses and deductions.

■ File and pay on time

Treat the IRS like a valuable vendor or supplier and build a relationship. The IRS tracks your payment history. Should you ever need help or dispute an item, you will want a clean record. It's always better to file on time, even if you can't make immediate payment. Know the deadlines and always file. Payment plans are available.

■ Never use payroll taxes as a temporary revenue stream

Using 940/941 payroll taxes to pay bills and keep the company afloat is also known as the kiss of death for a small business.

■ Deductions

Don't be afraid to use the tax code to your advantage. Don't abuse the system, but double- and triple-check your deductions and keep what you are fully and legally entitled to. Speak to a tax professional or several for their input and advice.

—Ronnie Hicks

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SBA loan changes help lenders, borrowers

BY DOLLY PENLAND
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The constant news about the billions of dollars in bailouts for large corporations may lead many to question what's being done to help small-business owners, whose financing options have been strangled over the past few months. Well, small business hasn't been left out of the many stimulus efforts coming out of Washington.

Among other things, the newly enacted American Recovery and Reinvestment Act lets the Small Business Administration increase its guarantee or backing on certain loans, while also reducing some fees borrowers pay.

"I have never seen anything like this; this is very innovative," said Ralph Ross, deputy director of the SBA's North Florida District Office. "We have raised the guarantee with the banks to 90 percent. It was around 75 percent on some loans and 85 percent on others, but now it's a 90 percent guarantee on all the 7(a) products."

Borrowers must still contribute 10 percent to the loan project. However, they'll see savings through fee cuts.

The SBA is temporarily eliminating upfront borrower fees on loans in the 7(a) and 504 loan programs. For 7(a) loans, the fee-elimination program is capped at \$8.7 billion, and for the 504 program it's capped at \$3.6 billion. Ross said the SBA estimates funds in these fee elimination programs will run out around the end of the year.

"For years, both the 504 and 7(a) programs were neutral to the Treasury Department in the sense that any money we lost by guaranteeing the loans, we recovered by charging fees on the loans; the program was self-funding," Ross said. "In a deep recession like we're in now, the



Chiropractor Grady Carter expects to save about \$3,500 in fees on his 504 loan to buy a new office.

delinquencies are up and our losses are up. However, this is not the time you want to raise your fees.

"We want to stimulate the economy; we don't want to raise the fees and suppress lending. So waiving the fees will make the loans more attractive to borrowers and the 90 percent guarantee will make them more attractive to lenders."

Chiropractor Grady Carter has been practicing at his Pearl Street location of First Coast Medical Center for nearly 30 years. Last April, he opened a new office in leased space on

North Main St. He is now working with Essential Capital Finance, a certified development corporation, to secure 504 funding to buy that new location.

"We're going to use it to purchase the condo and finance all the renovations that went into it," Carter said. "Basically, we renovated someone else's condo and we're trying to make it our condo."

Although the loan of about \$500,000 hasn't closed yet, he will be getting a 20-year, low-interest, fixed-rate loan and will save about \$3,500 in fees. Carter said the 504 program is a good

deal.

"Instead of 20 percent down, it's 10 percent down," he said. "It would have been cost-prohibitive [to buy the new location] without the loan program."

As part of the recovery act, the Treasury will also spend up to \$15 billion in an effort to thaw the frozen credit markets, freeing more capital for small-business lending.

"The new \$15 billion package is really set up to buy securitized pools of SBA loans and that market hasn't really been there for a while," said Carl Insel, executive vice president at Atlantic Coast Bank. "This will really open up that market to make banks feel secure in that, if banks make these loans, there's someone there" to buy them.

The act will also allow some refinancing of debt with the 504 loan program.

"Part of the act says the SBA will be able to, through the 504 loan program, do a limited amount of refinancing," said Carlton Shelton, senior business development officer with Essential Capital. "It could be that it is part of an expansion, but we simply don't have the formal regulations yet" on how the refinancing will be structured. "But it's an important part of the statute on 504 loans. We are all very interested in that."

Insel added, "Calls are up 20 percent overall, but instead of getting the calls, 'We can't make this work anymore', it's 'Can you tell me about this program and how to make it work?' The SBA is about helping finance [companies] for job creation and promoting economic development.

"We're excited about what it does for our customers and small businesses in Jacksonville. It's very much needed right now."

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Few insurers dominate small group market

The small group health insurance market has become less competitive in most states, with a few companies increasing their dominance, according to a new Government Accountability Office study.

The GAO obtained small group market share data from 39 states. The median market share of the largest health insurance carrier increased to 47 percent in 2008, up from 43 percent in 2005 and 33 percent in 2002. The five largest small group carriers had more than 75 percent of the market in 34 states, up



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from 26 states in 2005 and 19 states in 2002.

Blue Cross and Blue Shield plans were the largest carrier in 36 of the 44 states that reported which was the largest carrier.

"This lack of competition in the small group market continues to leave small-business owners with fewer, and more expensive, choices for health care coverage," said Susan Eckerly, senior vice president at the National Federation of Independent Business. "Reform efforts must concentrate on new pooling options that lead to greater access, better predictability of health care costs and greater value for their health

care dollars."

Sen. Olympia Snowe, R-Maine, was one of four senators who requested that GAO follow up on its 2002 and 2005 small group market studies. She said the new report "provides stark data highlighting the challenges we still face" in making health insurance more affordable for small businesses.

"The sad truth remains that small group insurance markets continue to lack real competition among insurers," Snowe said. "No competition means higher costs, and higher costs translate to no health insurance."

"I've heard from several small-business owners in Arkansas who desperately want to offer health insurance to their em-

ployees because they know it helps with recruitment, retention, employee performance and the overall success of the business, but they found it increasingly unaffordable," said Sen. Blanche Lincoln, D-Ark.

Snowe and Lincoln plan to join with Sen. Dick Durbin, D-Ill., in reintroducing legislation that would provide incentives for states to establish purchasing pools for small businesses.

For more information, see www.gao.gov/daybook/090324.htm

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