

It's a challenging time for businesses. Therefore, any help you can get — such as tax credits, tax exemptions, and other incentives — can make a big difference. Unfortunately, these incentives often go unclaimed because businesses don't know about them.

Here's a look at two types of incentives available and an outline of potential benefits.

1. Statutory incentives

Some credits are available “as of right.” If your business meets the specified requirements, you need to claim the benefit on a timely filed tax return to receive it.

State and federal tax credits and exemptions incentivize businesses to engage in certain activities or invest in specific economically distressed areas.

Here are a few:

Work Opportunity Tax Credit (WOTC)

The [WOTC](#) is a federal credit ranging from \$2,400 to \$9,600 per eligible new hire from certain disadvantaged groups. Examples include convicted felons, welfare recipients, veterans, and workers with disabilities. Other steps must also be taken, such as completing paperwork.

State and Federal R&D Tax Credits

[R&D tax credits](#) may be available to an eligible business that invests in developing new products or techniques, improving processes, or developing software for internal use, regardless of size. The federal “increasing research activities” credit equals 20% of the amount the business increases qualified research expenditures, compared to a base amount.

The R&D credit is available even to businesses with no income tax liability and may be carried forward to offset taxable income in future years. A start-up company can claim the federal R&D credit against up to \$500,000 in employer-paid payroll taxes if eligible.

Empowerment Zone Incentives

Certain tax breaks are available to companies that operate in federally designated, economically distressed “empowerment zones.” Tax credits may be worth up to \$3,000 for each eligible employee.

Industry-based & Investment Credits

Many states and jurisdictions offer tax credits and other incentives to attract certain types of businesses, such as manufacturing or film and television production. Jurisdictions may also offer investment tax credits for capital investments within their borders.

2. Discretionary incentives

Discretionary tax breaks must be negotiated with government representatives. Typically, these incentives are intended to persuade a business to stay in or relocate to a particular state or locality.

To secure these incentives, a business must show that it will benefit the jurisdiction, such as by creating jobs and revenue. Discretionary incentives may include income and [payroll tax credits](#), [property tax abatements](#), and [utility rate reductions](#).

Sales Tax Exemptions

States with [sales taxes provide exemptions](#) for some purchases. Common exemptions include purchases by:

- Retailers for the purpose of resale,
- Manufacturers of equipment, raw materials, or components used in the manufacturing process,
- Specific tax-exempt entities, and
- Agricultural businesses that buy such items as farming equipment and fuel, feed, seeds, fertilizer, and chemical sprays.

Business owners should familiarize themselves with the exemptions available where they do business and what it takes to qualify. For example, they may need to prove to the sellers that they have a resale or exemption certificate.

Don't miss these opportunities!

Many tax credits and incentives aren't claimed because business owners are unaware of them or erroneously believe they're ineligible. Many more examples exist. [Our tax advisors](#) can help ensure your business receives all the tax breaks it deserves.