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Criser, Gough, & Parrish

Small Business Alert

“Working together for you.”

Highlights of the Small Business & Work Opportunity Tax Act of 2007

The *Small Business and Work Opportunity Tax Act of 2007 (2007 Small Business Tax Act)*, signed into law by President Bush on May 25, targets nearly \$5 billion in tax incentives principally to small businesses.

Minimum Wage Rises

The new law gradually raises the minimum wage to \$7.25 over two years. It goes up

- To \$5.85 per hour starting July 24, 2007.
- To \$6.55 per hour starting July 24, 2008.
- To \$7.25 per hour starting July 24, 2009.

Note: The \$4.25 per hour training wage continues in effect for new employees under the age of 20, for the first 90 consecutive calendar days of employment.

Small Business Expensing (Section 179)

Dollar Limitation — Under the new law, the base limit is increased from \$100,000 (\$112,000 as indexed for inflation for 2007) to \$125,000 for tax years beginning in 2007 through 2010.

Investment Limitation — The investment limitation for property placed in service in tax years beginning in 2007 is raised to \$500,000 for tax years beginning in 2007 through 2010.

FICA Tip Credit

The FICA tip credit (also known as the Sec. 45B credit) will continue to be based on the old minimum wage of \$5.15 per hour. The amount of the tip credit will not be reduced when the minimum wage increases.

An employer may claim a credit for FICA tax paid on tips received by employees for serving or delivering food or beverages consumed on the employer's premises if tipping is cus-

tomary. Employers of tipped employees must pay a cash wage of at least \$2.13 per hour if they claim a tip credit against their minimum wage obligation.

Work Opportunity Tax Credit (WOTC)

The WOTC encourages employers to hire individuals from various economically-challenged populations and has been extended through August 31, 2011.

- Expands the targeted veterans' community.
- Raises the qualified wage threshold for the expanded veterans' groups.
- Expands the high-risk youth and vocational rehabilitation referral targeted groups. Now includes individuals from rural renewal counties.

Qualified Joint Venture

A married couple who jointly operates an unincorporated business and who files a joint return can elect **not** to be treated as a partnership for federal tax purposes. This treatment is available for tax years beginning after December 31, 2006.

The husband and wife can be the only members of the joint venture. If there are other individuals in the enterprise, the provision does not apply. Both spouses must materially participate in the business.

The new law aims to ensure that when a married couple jointly own and participate in a small business they both get credit for paying Social Security and Medicare Taxes.

(Source: CCH Tax Briefing: Small Business and Work Opportunity Tax Act of 2007)

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Disaster in the Workplace: Continuity of Operations Planning

How quickly your company can get back to business after a disaster often depends on emergency planning done today. Start planning to improve the likelihood that your company will survive and recover.

Review your emergency plans annually. Just as your business changes over time, so do your preparedness needs. When you hire new employees or when there are changes in how your company functions, you should update your plans and inform your people.

The following preparedness strategies are common to all disasters. You plan only once and are able to apply your plan to all types of hazards:

- Get informed about hazards and emergencies and learn what to do for specific hazards.
- Develop an emergency plan.
- Learn where to seek shelter from all types of hazards.

- Back up your computer data systems regularly.
- Decide how you will communicate with employees, customers, and others.
- Use cell phones, walkie-talkies, or other devices that do not rely on electricity as a backup to your telecommunications system.
- Collect and assemble a disaster supplies kit. Include a portable generator.
- Identify the community warning systems and evacuation routes.
- Include required information from community and school plans.
- Practice and maintain your plan.

(Source: www.irs.gov)

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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Return Service Requested

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