



## *A Message from the Tech Practice Group*

"One of the greatest labor-saving inventions of today is tomorrow." For many years, the federal and state government lived by this phrase. As a result, the U.S. national debt has skyrocketed and the federal and local governments are in economic distress. Many believe government needs to take drastic measures to get the economy back on track. Discussions include raising taxes, expanding the tax base, cutting various programs and providing business incentives to stimulate spending. What does this mean for the high-tech community and what can you do to overcome the difficulties caused by the current economic times?

Now more than ever, you need to take a proactive approach. A business plan, budget and strategies should be developed to help create growth and minimize exposure. It is also important to take advantage of a tax incentive plan, as many of the credits that are currently allowed for federal and state purposes will be expiring, and new taxes are being implemented. For instance, as of October 1, 2011, the state of Rhode Island is imposing a use tax on digital downloads.

In these turbulent times, staying informed of the latest developments is critical. BFMM's Technology Practice Group has the expertise and resources to review your business plans and maximize any tax-saving strategies available to you.

All the best,

Steve, Jeff and George  
Technology Practice Group  
Batchelor, Frechette, McCrory, Michael & Co.

## DID YOU KNOW?

### **Rhode Island & Massachusetts Tax News**

1. Effective October 1, 2011, the Rhode Island use tax is imposed on prewritten computer software delivered electronically or by load and leave.
2. The Rhode Island innovation tax credit is available to an eligible, qualified innovative company. This credit is scheduled to expire in 2016.
3. Effective January 1, 2011, Rhode Island no longer allows the research and development credit to be used against personal income tax. Massachusetts credit is still available.



**George Warner and Jeff Allain with Peter Dorsey (center) of the Business Development Company recently discussed tax savings strategies.**

## **Federal Tax Highlights 2011**

Return Service Requested

1. For credits determined in tax years starting in 2010, eligible small business (ESB) credits can offset the alternative minimum.
2. Small business taxpayers can elect to write off up to \$500,000 of cost of capital outlays in the year they are made, instead of recovering them through depreciation.
3. The Small Business Jobs Act allows taxpayers to deduct up to \$5,000 in trade or business start-up expenditures.
4. The Small Business Jobs Act extends the first-year 100% write-off to apply to qualifying property placed in service before 2012 (50% write-off beginning in 2012).
5. Up to \$250,000 of certain qualified real property is eligible for Code Sec. 179 expensing for tax years beginning in 2010 and 2011.
6. Cell phones provided by an employer to employees primarily for non-compensatory business reasons is an excludable working condition fringe benefit. Employees' personal use of such is excludable de minimis fringe benefit.
7. The research credit is extended to apply to amounts paid or incurred before 2012.