



# The Advisor



Winter 2009 Edition

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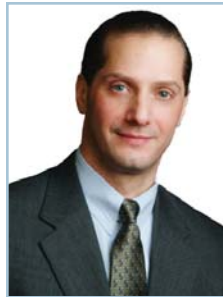
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Now is the Time to Gift! Gifts & Pre-Retirement Planning

\$170 million in Economic Assistance Available to NJ Businesses

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## WISS & Company – A Forty Year Evolution



On January 2, 1969, Wiss & Company opened its doors for business in modest facilities, but with big dreams and aspirations. During its infancy, the Firm was run by an entrepreneurial group of young partners that melded a diverse group of talent; from individuals with strong technical backgrounds to visionaries who grew the Firm's customer base.

Over the past four decades, we have witnessed many changes which have greatly impacted the accounting industry. The Big 8 became the Big 4, corporate scandals challenged the foundation of our capital markets leading to the passage of the Sarbanes Oxley legislation and mergers ran rampant among accounting firms. During these times, Wiss has strategically repositioned itself by expanding its geographic reach, its expertise in various market segments and diversifying its service offerings; while still maintaining its reputation of strong client service and technical excellence in the profession.

While Wiss has evolved, the Firm has remained true to a set of core values that drive both our business and our commitment to our clients. Those core values of integrity, communication, teamwork, energy and execution are the foundation of how we operate and conduct business on an everyday basis. Through the years, we have built a team of professionals dedicated towards representing our clients' best interests and ensuring their long-term security.

Our vision and commitment to the legacy of Wiss has ensured that we can survive and thrive throughout the years; no matter the challenges that the economy or the profession put before us.

Today, when economic times are difficult, the WISS approach to client service is refreshing and comforting; providing sound business advice, steadfast loyalty and a common sense approach to business solutions that can navigate our clients in managing their businesses, while capitalizing on opportunities which lay the foundation for their future.

To all of our clients, I wish to express my sincere gratitude on behalf of our partners, our staff and our support personnel for the continued trust and faith that you have placed in Wiss over the years. It is my expectation that the strong partnership we have forged with each of you will continue well into the future.

Jeffrey Campo, CPA  
Managing Partner, Wiss & Company, LLP

# President Obama Moves Quickly on Economic Stimulus

by Kevin J. Kerrigan, CPA



Now that the inauguration festivities are over, President Obama enters the White House with an urgency to pass an economic stimulus package that will include tax breaks, energy incentives and bond incentives for distressed areas among other aspects of an economic recovery plan. Listed below are the tax provisions that were included in a bill introduced by the Ways and Means Committee on January 19th. These provisions have been supported by President Obama and could likely become law by the time this article goes to press.

## Business Tax Breaks

### *Extension of 50% Bonus Depreciation.*

In 2008, Congress temporarily allowed businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, furniture, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

### *Extension of IRC Section 179 Small Business Expensing.*

Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009.

### *Five Year Carryback of Net Operating Losses.*

Under current law, net operating losses may be carried back to the two years before the year that the loss arises (the “carry-back period”) and carried forward to each of the succeeding twenty years after the year that the loss arises (the “carry-forward period”). For 2008 and 2009, the bill would extend the maximum carry-back period for net operating losses from two years to five years.

### *Incentives to Hire Unemployed Veterans and Disconnected Youth.*

Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth.

## Tax Breaks for Individuals

### *“Making Work Pay” Tax Credit.*

For 2009 and 2010, the bill would provide a refundable tax credit of up to \$500 for working individuals and \$1,000 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).

### *Increase in Earned Income Tax Credit.*

The bill would temporarily increase the earned income tax credit for working families with three or more children.

### *“American Opportunity” Education Tax credit.*

The bill would provide financial assistance for individuals seeking a college education.

For 2009 and 2010, the bill would provide taxpayers with a new “American Opportunity” tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly).

### *Refundable First-Time Home Buyer Credit.*

Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return). The bill would eliminate the repayment obligation for taxpayers that purchase homes after January 1, 2009. The provision would retain the credit recapture if the house is sold within three years of purchase. ▼

For more information on this story contact Kevin Kerrigan, Partner, Tax Services, at [kkerrigan@wiss.com](mailto:kkerrigan@wiss.com) or 973-994-9400.

## Important Tax Due Dates

2009

- |               |   |
|---------------|---|
| <b>FEB 28</b> | Form 1099 to Internal Revenue Service. (if paper-filed)   |
| <b>MAR 16</b> | 2008 Corporate income tax return due.   |
| <b>MAR 31</b> | Form 1099 to Internal Revenue Service. (if filed electronically)  |
| <b>APR 15</b> | Income tax returns for individuals, partnerships, estates and trusts with calendar year ends.   |
| <b>APR 30</b> | Employers of non-agricultural and non-household employees must file return on Form 941 to report income tax withholding and FICA taxes for the first quarter of 2009. |
| <b>MAY 15</b> | Annual informational returns for exempt organizations (Form 990) for 2008 by calendar year organizations.   |

# Beware of the Signs of Business Distress

by Anthony R. Calascibetta, CPA, CTP



In the last few months there have been drastic changes to our economy. Businesses large and small are falling victim to the distressed economy. The effects of the country's financial crisis will continue to trickle down to small and mid-sized businesses in 2009, if not beyond.

Today's businesses, more than ever, must be attuned to the early warning signs of corporate distress. No customer or vendor is immune. A significant amount of uncollectible receivables or the inability of a vendor to meet resource demands can dramatically affect the fate and future of a business.

## What are the Causes of Financial Distress?

The causes and signs of financial distress can be internal, operational or external. Business owners and corporate management should exercise caution if they notice any of the following signs:

### Some Internal/Operational Causes of Business Distress

- **Management** – Major personnel changes and labor problems; lack of credibility with lenders; inadequate or inexperienced management.
- **Lack of product differentiation** – Company relies on one product or has no new product innovation.
- **Critical mass** – Business does not have funds to invest into product development, advertising or fixed assets.
- **Change in customer and trade creditor relationships** – Changes in management, sales force and purchasing department; change in operating and purchasing policies of customers and suppliers.

### External Causes of Business Distress

- **Regulatory** – Added regulatory requirements and increased costs to do business due to circumstances. Additional environmental regulatory related factors may be a problem.
- **Major Litigation** – The costs to litigate and settle litigation matters can drain companies financially and their management mentally; management may spend valuable time addressing litigation issues versus operational issues.
- **Market Factors** – There might be competitive issues or changes in trends; a new competitor or the failure of a competitor; changes in consumer spending habits; changes in styles or technology.

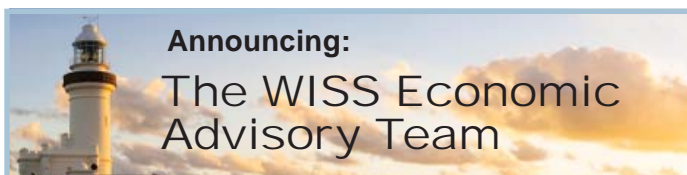
## What are the Signs?

There are always signs before a business fails. The following are some of the signs that could indicate potential corporate distress:

1. Falling or stagnant sales.
2. Loss of market share.
3. Changes in pricing.
4. Product issues that may cause lawsuits, defects or delays to market.
5. Increased dilution for allowances, increased credits.
6. Declining product margins.

7. Consistent shortfalls against budget.
8. Interim financial information no longer available or decreased.
9. Interest expense increasing at a faster rate than sales
10. Reduced quality of earnings and non-recurring items, such as asset sales. Changes in provisions for contingencies and changes in accounting policies.
11. Change in pattern of payments to creditors. There may be a longer period between payments or only partial payments may be made.
12. Problems delivering products. In order to effectively manage your business today, management needs to not only pay attention to the changes in its own business but also to the changes and related effects to both their customers and suppliers' businesses. ▼

For more information, contact Anthony Calascibetta, Partner-in-Charge of Corporate Recovery at [acalasc@wiss.com](mailto:acalasc@wiss.com) or 973-994-9400.



In these tough economic times, businesses are looking to streamline operations, maximize cash flow, and strengthen key relationships. The WISS Economic Advisory Team was formed to provide business owners, CEOs, and CFOs with strategic advice to not only respond to current challenges, but to take advantage of potential opportunities.

WISS has assembled a team which draws on the expertise of professionals from our Corporate Recovery Group and various Industry Teams. Led by WISS Partner Anthony Calascibetta, the advisory group will work with you to identify the immediate areas you should be addressing to strengthen existing operations, help you prepare for the future by adopting certain best practices and assist in evaluating opportunities that times of economic turbulence may create. Some of the areas you should be thinking about in this downturn economy include:

- Customer and supplier relationships
- Banking relationships
- Cash flow management and forecasting
- Inventory management

Without doubt, managing your business will remain challenging for the foreseeable future. WISS can assist you in positioning your company to survive the downturn and benefit from the recovery.

For more information contact Anthony Calascibetta at [acalasc@wiss.com](mailto:acalasc@wiss.com) or 973-994-9400

# THE WISS SALT UPDATE

State and Local Tax Services

- New Jersey “Throw Out” Rule
- New Jersey Net Operating Loss Period Extended
- New Jersey Sales Tax Benefits in Enterprise Zones
- Connecticut Enacts Tax Amnesty Program
- Massachusetts Enacts Tax Amnesty Program

**State and Local Taxes have become an increasingly larger portion of the cost of doing business. To help you manage your business, WISS formed the SALT (State and Local Taxation) Group, a select group of tax professionals with specialized knowledge in this particular area of taxation.**

## **New Jersey “Throw Out” Rule and “Regular Place of Business” Requirement Eliminated.**

On December 19, 2008 New Jersey Governor Jon S. Corzine signed into law A2722, effective for taxing periods beginning on or after July 1, 2010 which eliminates the throw-out rule and the regular place of business requirement under state corporate income tax law.

Under the throw-out rule, multi-state corporations calculate their corporate income tax liabilities based on an allocation formula that removes (throws out) any sales from the denominator of the allocation factor from states where the taxpayer does not have an income tax filing requirement. The removal of sales from the denominator will increase the allocation factor in New Jersey thereby increasing most taxpayers’ New Jersey tax liability. Repealing the throw-out rule should lower most multi-state corporations’ New Jersey tax liabilities.

Additionally, the law eliminates the requirement that a taxpayer must have a regular place of business outside of the state in order to apportion income.

## **New Jersey Net Operating Loss Period Extended.**

On November 24, 2008, Corzine signed legislation that extends the net operating loss carryforward period from seven to twenty years. The change is applicable to net operating losses realized in periods ending after June 30, 2009.

## **New Jersey Sales Tax Benefits in Enterprise Zones.**

There are numerous sales tax benefits related to sales and services within New Jersey Enterprise Zones. Although many of the statutes have been in place for several years, this area is often a source of confusion. Therefore, the following is a summary of the rules that are currently in place.

**Exemption for UEZ Businesses.** Retail Sales of personal property and leases (except motor vehicles and energy) to a qualified business within a UEZ are exempt from sales and use tax.

Businesses in a UEZ with less than \$3 million in gross receipts in the prior year are considered to be a “small business” eligible for the exemption at the time of purchase. Larger businesses must pay the full tax up front and then must apply for a refund of taxes paid.



Businesses that must apply for a refund must use form A-3730-UEZ within one year of the original sale, along with the spreadsheet form which provides detail, A-3730-UEZ-1.

Prior to January 13, 2008, a small business was designated to have less than \$1 million in gross sales in the prior annual tax period, and proof of the claim for the refund needed to be submitted prior to February 1, 2008. After that date, proof is no longer required to be included.

However the proof must be maintained for not less than four years from the postmark of the claim. Qualified businesses purchasing or leasing tangible personal property (except motor vehicles and energy) to be consumed exclusively in a UEZ should furnish form UZ-5, Urban Enterprise Exempt Purchase Certificate to the vendor.

**Exemption for Sales of Services.** Sales of services (except telecommunications and utility service) to a qualified business within an urban enterprise zone (“UEZ”) are exempt from sales and use tax.

Services include installing, maintaining or repairing tangible personal property (“TPP”) used in business (except motor vehicles); maintaining, servicing or repairing real property used in business, including janitorial services, and advertising services used or consumed exclusively within the enterprise zone.

Qualified businesses purchasing services (except motor vehicles and energy) to be consumed exclusively in a UEZ should furnish form UZ-5, Urban Enterprise Exempt Purchase Certificate.

**Partial exemption for purchases within a UEZ.** UEZ vendors making retail sales of TPP from a place of business in the zone will have 50% of the receipts exempted from the sales and use tax. There is no exemption for purchases in the zone for the following items:

- manufacturing machinery (exempt under another statute)
- motor vehicles
- energy
- alcoholic beverages
- cigarettes
- prepared foods
- admissions
- catalog sales
- meals and rooms

# THE WISS SALT UPDATE

All sales must be from the vendor's place of business within the UEZ and the purchaser must take delivery at the place of business, or the vendor must deliver the TPP from his place of business in the UEZ. Delivery may be made to the purchaser outside of the zone. The delivery may be made by the vendor or by an outside carrier as long as the purchase took place in person in the UEZ.

Receipts from telephone and mail order sales are subject to tax at the regular rate where delivery is made to a location within this state.

Eligible vendors in a UEZ that lease TPP may pay use tax at one half the rate as long as the above requirements are met. There is no partial exemption on the sale or furnishing of taxable services from within the UEZ.

Businesses qualified to collect at the reduced rate are required to file form UZ-50, Combined Sales and Use Tax/Urban Enterprise Zone Sales Tax Monthly returns on a monthly basis due 20 days after the end of the month.

**Exemption for Sale of Building Materials.** Sales of building materials, supplies or services to contractors or repairmen for exclusive use in erecting structures, building on, improving, altering or repairing real property in an enterprise zone are exempt from sales and use tax.

The contractors purchasing the goods for use in the UEZ shall furnish to their vendor form UZ-4, Contractor's Exempt Purchase Certificate, Urban Enterprise Zone.

**Exemption for Energy and Utility Service.** Retail sales of energy and utility service (gas and electric) to a business in a UEZ with more than 250 employees within the zone are exempt from sales tax. At least 50% of the employees must be directly employed in a manufacturing process, for the exclusive use or consumption of the business within an enterprise zone.

The exemption is also available to a group of two or more persons, each located in a single redevelopment area adopted pursuant to the "Local Redevelopment and Housing Law" that collectively employs 250 people within an enterprise zone, at least 50% are directly employed in the manufacturing process; the two businesses are each engaged in a vertically integrated business evidenced by the manufacture and distribution of a single product and they collectively use the energy and utility service for consumption within the zone.

The qualified businesses as described above must apply for the exemption and be accepted before it is allowed.

## Connecticut Enacts Tax Amnesty Program.

The State of Connecticut will offer a tax amnesty program from May 1, 2009 through June 25, 2009. The Connecticut Tax Amnesty Program, administered by the Department of Revenue Services ("DRS"), provides an opportunity for eligible taxpayers to pay their back taxes to the state while avoiding penalties and criminal prosecution. It also offers a reduction in interest.

Amnesty will be offered to any taxpayer owing Connecticut tax for any taxable period ending on or before November 30, 2008. A taxpayer may be ineligible for amnesty for either of the following reasons:

1. The taxpayer is currently under audit by the Connecticut Department of Revenue Services; or
2. The taxpayer is a party to any criminal investigation or to any civil or criminal litigation involving the Connecticut Department of Revenue Services.
3. Taxpayers already in a payment plan with DRS or who have received a tax bill from DRS cannot participate in the amnesty program.

## Massachusetts Enacts Tax Amnesty Program

Massachusetts Governor Deval Patrick has signed legislation authorizing a two-month tax amnesty program, during which penalties for failure to timely file or pay Massachusetts taxes will be waived. The amnesty period will begin on a date to be determined by the Department of Revenue and will end no later than June 30, 2009. The amnesty program will not apply to any tax liability for a period that commenced on or after January 1, 2007. Any taxpayer who has been the subject of a tax-related criminal investigation or prosecution is not eligible for amnesty. ▼

## WISS State and Local Tax Group

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The WISS SALT Group provides advisory and consulting services in areas such as:

- Nexus Studies
- Sales and Use Tax Review
- Voluntary Disclosure Agreements
- Tax Audit and Examination Representation
- State and Local Tax Credits and Incentives
- Apportionment Planning
- Unitary Tax and Combined Reporting
- State of Residency Planning



For additional information related to the State and Local Tax area, contact us at 973.994.9400 or [www.wiss.com](http://www.wiss.com).

# The Perfect Storm Exists for Estate Planning: Low Interest Rates and Depressed Values

by Edward Townsend, CPA



The world of gift and estate planning is faced with much uncertainty due to the scheduled repeal of estate and generation-skipping taxes in January 2010.

A new Presidency only fuels the ambiguity as we wait for changes in legislation in the coming months. During his campaign, President Obama's proposed estate tax policy was fairly simple: freeze the 2009 estate tax laws, (a 45 percent top rate and a \$3,500,000 lifetime exemption).

However, the above proposal would trigger a reduction in projected tax revenue potentially requiring tax revenue raises to offset the revenue loss. Many estate planners fear these revenue raises could greatly impact current transfer planning techniques such as grantor retained annuity trusts (GRAT) and qualified personal residents trusts (QPRT) to mention a few.

Given the potential loss of current estate planning techniques coupled with today's favorable interest rates and valuation environment (see article in this issue titled: "Now is the Time to Gift" by Monica Kaden) every business owner or wealthy investor should review their estate planning while opportunities still exist. Summarized below are some estate planning concepts that are currently available today.

Today whether transferring closely-held business interest or investment assets to family members, current rules favor the use of flow-thru entities such as limited liability corporations ("LLCs") or Subchapter-S Corporations, ("S-Corp"), coupled with transfers to a grantor trust.

Grantor trusts are used due to the significantly different tax treatment they receive under our income tax and gift tax rules. For income tax purposes, the grantor of the grantor trust is the deemed owner of the trust assets so he continues to report the income from S-Corp stock or LLC units, even though the stock or units are owned by the trust. However, the transfer is a completed transfer for gift tax purposes.

When LLC units or S-Corp stock is transferred to a grantor trust in exchange for an annuity for a fixed period of years, (such as in a GRAT transaction), the normal income tax rules for an exchange of assets for an annuity are ignored and the grantor continues to pay income tax on the LLC or S-Corp income as if he never transferred ownership to the grantor trust. However, for gift tax purposes, the transfer is complete and the grantor has made a gift to a family member for the difference between the present value of the annuity payments to be received over the value of assets transferred by the grantor to the grantor trust.

Given today's lower asset values and the historic low interest rates a zero out (no gift) GRAT is not unusual. An important factor in achieving these results is that an LLC or S-Corp is not subject to income tax and the income tax on the LLC or S-Corp income is paid by the shareholder/grantor. Thus, tax

distribution to the grantor trust that would normally be used to pay income taxes by the shareholders can be used by the grantor trust to pay the trust annuity payments and the grantor can then use the annuity payments to pay the tax on the LLC or S-Corp income on the assets owned by the trust.

The same basic rules summarized above apply to the installment sale of S-Corp stock or LLC units to a grantor trust. For income tax purposes, no sale has incurred but for gift tax purposes the sale is recognized and any difference between the value of the stock or units sold and the sales price would result in a gift.

An advantage common to both GRAT and sale transaction is that the grantor can retain control by transferring only non-voting S-Corp stock or LLC units. Even if the IRS challenges the valuation of assets transferred to a zero-out (no gift) GRAT, no taxable gift can occur, (only a change in the annuity amount). However, if the assets were sold to a grantor trust, a taxable gift may occur if the IRS is successful in increasing the value of the property sold. Finally, the most significant disadvantage of a GRAT is that the grantor must survive the GRAT term or the transferred assets are included in the grantors estate.

In summary, given today's valuation environment, interest rates and available tax planning techniques, many tax planners have described today's time period as, "The Perfect Storm" to make family transfers. But the time may be short as the new administration will make changes to our current estate and gift system that could eliminate or restrict many current tax planning techniques. ▼

For additional information, contact Edward Townsend, Tax Partner at [etownsend@wiss.com](mailto:etownsend@wiss.com) or 973-994-9400.

A promotional poster for a golf tournament. The background is a photograph of a golfer in mid-swing on a golf course. The text is overlaid on the image.

**Save The Date**

The 7th Annual  
**WISS Charity  
Golf Classic**

**Monday, June 8, 2009**

**Cedar Hill Country Club  
Livingston, NJ**

**12:30 pm shotgun**

**Tournament Sponsor: Frenkel & Co., Inc.**

For more information contact Francine Henry  
at [fhenry@wiss.com](mailto:fhenry@wiss.com) or 973.994.9400.

# Now is the Time to Gift! Gifts & Pre-Retirement Planning

by Monica Kaden, MBA, ASA



The current status of the economy is such that many business owners approaching retirement age are reluctant to discuss or consider estate planning, and have no plans to transfer any portion of their business to their children. In fact, this economy has presented a golden opportunity to dispense part of a business equity interest, retain full control of business operations and achieve one of the steps in estate planning with a minimal effect on losing lifetime gifts excludible from any gift taxes.

To take advantage of this opportunity, one must first quantify the gift with the objective of gifting the highest equity without losing control, at the lowest fair market value.

To ascertain the fair market value of a potential equity interest gift in a business requires a valuation of the business. If the business is closely owned, and a gift is for a minority equity interest, the value of the gift can be reduced for both a discount for lack of marketability and a discount for minority (or non-controlling) interest.

With the market value of a business dependent upon the effects of the declining economy, coupled with an increase in the above discounts due to a decrease in potential buyers, the fair market value of any minority (or non-controlling) interest is probably at its lowest level in many years.

## Overview of Federal Gift Tax Provisions

- The gift tax is imposed on the transfer of money or other property by gift.
- Gifts made by an individual, in a tax year, of a present interest with a value of \$13,000 in 2009 or less, to any one individual, are not subject to tax.
- The gift tax is usually payable by the donor (giver) and not the donee (receiver).
- Gifts in excess of the annual exclusion, totaling \$1,000,000 during a person's lifetime, are exempt from any gift taxes.

## How Does One Make a Gift?

A business owner should find a certified business appraiser, with business valuation credentials such as an ASA, CVA or a CPA/ABV, who can determine the fair market value of the business equity interest to be gifted. The above designations are recognized business valuation credentials that are especially important for valuations that are submitted to the IRS. (The valuation report is attached to the "United States Gift and Generation Skipping Transfer Tax Return, Form 709").

The appraisal process typically includes a meeting with the equity owners and outlining the scope and fee of the valuation. The business appraiser prepares a document information request and once the information requested is received from the equity owners, the actual valuation process usually takes 4 to 6 weeks. The fee depends on the type of valuation of equity interest in a family limited partnership (that owns principally marketable

securities or real estate). Expect higher fees for a detailed appraisal of a closely held business.

## Discounts for minority (or non-controlling) interest and lack of marketability.

A gift of a minority equity interest in a business typically would require a discount for minority interest, as the pro-rata share of a minority interest in a business is actually worth less than a mathematical pro rata amount as the minority equity owners does not have any control of the business. Accordingly, an appropriate discount for minority interest is applied.

A closely-held business or closely-held business interest is not readily marketable as cash or a marketable security that can be converted into cash in three days. Accordingly, a discount for lack of marketability is necessary to reflect the illiquidity of the minority interest and the time it would take to convert it into cash.

For example, a business owner intends to gift a 20% minority interest in his business to his children. First, the total value of the business is obtained. Then, the pro rata amount of the gift (20%) is applied to the total value. Lastly, potentially two additional discounts lowering the value would be applied (i.e. discount for minority interest and discount for lack of marketability).

## Conclusion

As the economy is currently in a recession, and market multiples are low, and discount rates reflecting risk are high (implying lower values), the resulting equity values for gift tax purposes indicate gifting is extremely beneficial to a business owner approaching retirement age. If the business owner has the ability and desire to gift, now is the time.

The advantages of making a gift is the reduction in future estate taxes, moving wealth to children and maintaining continuity of the business, and, as part of the business income will be taxable to the children, a reduction in cumulative income tax. ▼

For more information, contact Monica Kaden, Manager, Business Valuation at [mkaden@wiss.com](mailto:mkaden@wiss.com) or 973-994-9400.

## Practical Examples of Savings

An example of the savings that can be realized by gifting (instead of paying estate taxes upon death) follows:

An individual with 100 family members and friends elects to gift \$12,000 to each in 2008 (a total of \$1,200,000) without the requirement of filing a gift tax return and paying any applicable gift taxes.

In addition, the \$1,200,000 would be excluded from his estate upon death. If the \$1,200,000 was not gifted, a federal estate tax of possibly \$540,000 would be payable by his estate upon death.



# \$170 Million in Economic Assistance Available to NJ Businesses

by Russell L. Faye, CPA



Two programs are now available from the New Jersey Economic Development Authority (EDA) to help NJ businesses face the financial challenges of the national economic crisis. The two new programs were created under Governor Jon S. Corzine's Economic Assistance and Recovery Plan to stimulate capital investment and job creation.

The \$120 million InvestNJ program includes two grant components. One component provides a \$3,000 grant to New Jersey businesses for each new job created and retained for one year. This component will provide up to \$50 million, not to exceed \$500,000 per grantee, for each eligible position created after December 1, 2008 and before January 1, 2011 by qualified businesses that experience a net increase in employment of eligible positions in the state during the same consecutive months. To take advantage of the job creation grant component of InvestNJ, a business must have operated continuously in New Jersey for at least the prior two years, and must have at least five full-time eligible employees.

Another component of InvestNJ authorizes the payment of grants equal to seven percent of a business's qualifying capital investment of at least \$5,000 made prior to Jan. 1, 2011. Up to \$70 million is available for capital investment grants, not to exceed \$1 million per grantee, to fund expenses for the direct use and operation of a business. Qualified capital investments include costs for the site preparation and construction, renovation, improvement, equipping of, or obtaining and installing fixtures and machinery, apparatus or equipment in a newly constructed, renovated or improved building, structure, facility or improvement to real property.


To benefit from the capital investment grant, businesses must have operated continuously for at least the prior two years and have at least five full-time employees.

The \$50 million Main Street Business Assistance Program also has two parts – a loan participation and/or guarantee product that is being offered through participating banks and a line of credit guarantee offered through the EDA's 14 Preferred Lender partners. To qualify, borrowers must be in business at least two years, maintain jobs in New Jersey and meet other EDA eligibility requirements.

For term loans secured by fixed assets like buildings and equipment, the EDA will provide a maximum participation of 25 percent, or \$1 million, in a bank loan and a maximum bank loan guarantee of 50 percent up to \$2 million. For working capital loans to cover operating expenses, the EDA will provide up to 25 percent of a bank loan, not to exceed \$750,000, and a maximum guarantee of 50 percent, up to \$1.5 million. The aggregate EDA exposure cannot exceed 50 percent of the total bank loan amount to a total maximum of \$2 million. The interest rate on EDA loan participations are fixed at 5 percent for a maximum of five years. Borrowers also can use the Main Street program to refinance higher-interest debt.

The line of credit guarantee, which can be used for fixed assets or working capital, will be set at a maximum of 50 percent of the bank amount, up to a maximum of \$250,000. ▼

*For additional information, visit [www.njeda.com](http://www.njeda.com) or contact Russell L. Faye, CPA, Partner at [rfaye@wiss.com](mailto:rfaye@wiss.com).*

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