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[Business Tax Deductions in 2009: A Boon To Businesses](#)

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A new law recently went into effect that gives businesses much needed lifesaver: to be able to deduct business losses against business income as far back as 5 years. This law is revised after the federal government enacted nearly the same rule for 2008 business deductions. However, the 2009 rule has a new twist.

General rule for business loss deductions is to carry them back as far back as two years or carry your business losses forward for up to 7 years. In tax jargon, the business loss is referred to as Net Operating Losses or NOLs.

The 2008 law enabled businesses with annual gross receipts of no more than \$15 million dollars to:

- Carry back business losses to as far back as five years, i.e. 2003, and recover part or all of federal income taxes for those years.
- Carry forward business losses to 20 years.
- Example: Suppose your business losses in 2008 were \$100,000 in 2008. You can choose to carry the losses to as far back as 2003 and offset it against the federal taxes you paid in that year. You could also offset the remainder of your business losses, if any, against your business income in 2004, 2005, 2006 or 2007.

The new 2009 Law, has a new twist for the fifth year. In fact, all the other requirements spelled out for 2008 law remain the same, except:

- Business tax losses carried back as far back as five years can only be deducted up to 50% of net income in 2004.
- Example: Suppose, in 2009 you had businesses losses of \$100,000. Under the 2009 law, you can go back as far as 2004 to offset your business losses against your income in 2004. However, you are allowed to deduct your \$100,000 business losses up to 50% of your net income in 2004. So, if you had, supposedly, \$80,000 of net income in 2004, you are allowed to deduct only up to \$40,000 of your available \$100,000. The \$60,000 remainder could be deducted from the 2005, 2006, 2007 and 2008 without no 50% limitation.

One caveat is you want to deduct your businesses losses against the years in which you paid the most federal tax income. But, always be mindful of your cash-flow.

So, you might want to create or increase businesses losses this year to take advantage of this valuable tax incentive in 2009.

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