



## Merry Christmas!!! You may be able to carryback losses!!!

2009 was a particularly challenging year. Everything seemed to go wrong for dealers. As you sit back and look at the results of the 4<sup>th</sup> quarter and the year in total, you may find that you have a tax loss. So what now?

Well, although you may be feeling good about not having to cut a check to Uncle Sam in March, there is an even better silver lining. Under the old tax law you were only allowed to carryback your losses 2 preceding years. Under the *Worker, Homeownership and Business Assistance Act of 2009* passed by congress and extended to apply to the 2009 tax year, you can carry your loss back up to 5 years. This means that for a loss in 2009 you can potentially carryback all the loss to 2004. This is a tremendous opportunity.

Let's look at an example.

	Prior To Carryback		After Carryback		Refund
	Actual Results	Tax @ 40%	Carryback	Tax @ 40%	
2009 Tax Loss	\$ (225,000)				
2008 Tax Loss	(2,000)		(2,000)		
2007 Tax Gain	5,000	2,000	5,000	2,000	
2006 Tax Gain	75,000	30,000	25,000	10,000	20,000
2005 Tax Gain	100,000	40,000			40,000
2004 Tax Gain	150,000	60,000			* 30,000
<b>Total Carryback Refund</b>					<b>\$ 90,000</b>

Although the complexities of filing for the refund are a bit more involved than I have presented here, the benefit may be well worth the effort.

### Who Qualifies?

Most dealers who had a loss in 2009 with income in prior years will qualify. The amount of the carryback can be limited based on gross receipts; however the limitation is a maximum of 50%.

### What if I currently owe the IRS back taxes, penalties, and interest?

If you have a significant amount of back taxes first I would make sure you have exhausted all normal methods to reduce the tax liability from those years. Assuming that is the case, then this may be what you need to help you get caught up. The IRS will process the refunds and apply them to you're your delinquent taxes. Then the remainder will be refunded to you.

### Should I accelerate expenses in 2009?

Generally the answer is yes. If by accelerating expenses, you are able to carryback an NOL into a year that would otherwise be unavailable then that would be a great advantage. The remainder will just get carried forward, and there may be some AMT benefits as well.

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\*Limited to 50% for the 5<sup>th</sup> preceding year.  
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