

BUSINESS

MONEY MANAGEMENT

The Small Business Job Protection Act: Some news you can use

Special to Sentinel-Voice

The minimum wage increase made headlines last summer when President Clinton signed the 1996 Small Business Job Protection Act. But the Nevada Society of CPAs points out that the Act also included a number of changes and clarifications to federal tax law that are important to small businesses. Here's a brief rundown.

EXPENSING

DEDUCTION INCREASED

One of the most important of the Act's provisions is an increase in the expensing deduction. Under prior law, businesses that put new equipment into service could choose to deduct immediately up to \$17,500 or qualifying purchases, instead of depreciating the expense over a period of years. The Act increases the expensing

deduction in annual steps over a seven-year period to \$25,000 in 2003. The expensing limit for 1997 is \$18,000. The deduction is phased out, dollar for dollar, when equipment purchases during any tax year exceed \$200,000.

"SIMPLE" RETIREMENT PLANS ESTABLISHED

The Act also establishes a simplified retirement plan for businesses that have 100 or fewer employees who had at

least \$5,000 in compensation for the preceding year and that don't maintain any other type of qualified employer-sponsored retirement plan. These "Saving Incentive Match Plans for Employees", or "SIMPLE" plans, which go into effect for tax years beginning after December 31, 1996, are designed to promote retirement savings while making it easier for small businesses to set up and administer such plans. Small businesses with other plans must terminate or "freeze" those plans if they decide to offer SIMPLE plans.

All employees earning at least \$5,000 in compensation during the year must be eligible to participate in the plan. Employees may contribute up to \$6,000 per year as compared with the maximum IRA contribution of \$2,000. Unlike Keogh, Simplified Employee Pensions (SEPs), or other

retirement plans, SIMPLEs do not have a "minimum participation requirement" — so, you can still contribute to your plan even if your partners or employees choose not to participate.

Generally, the employer is required to match employee contributions dollar for dollar up to three percent of participating employees' compensation or contribute a blanket of two percent of compensation for all eligible employees. Both the employer's and employees' contributions are immediately fully vested; so, don't count on your SIMPLE plan to act as an inducement to keep talented employees with your company.

While the SIMPLE plan provides a cap on how much money you must contribute to workers' retirement plans, it also limits the amount business owners can save for themselves to \$6,000 annually, plus a

company matching contribution of up to three percent of your compensation.

S CORPORATIONS MADE MORE FLEXIBLE

The new law also gives more flexibility to small businesses that elect Subchapter S status. It liberalizes the ownership restrictions of Subchapter S corporations by increasing the maximum number of shareholders an S corporation is permitted to have from 35 to 75. This provision will benefit S corporations by facilitating corporation ownership by additional family members, employees, and capital investors. Also, under the new law, S corporations can now own 80 percent or more of the stock in a regular corporation and other S corporations.

CLARIFICATIONS TO EXISTING LAW

In addition to new provisions, the Act also (See Money, Page 8)



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April 26, 1997 • 9 a.m. to 3 p.m.

► Mall Clinics

- Boulevard
April 19, 1997 • 10 a.m. to 8 p.m.
- Meadows
April 23, 1997 • 10 a.m. to 9 p.m.
- Galleria
April 26, 1997 • 10 a.m. to 9 p.m.

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Seeking more money for education

By Peter C. Woolfolk
Special to Sentinel-Voice

Last year I published an article outlining financial sources designed to assist minority students with securing a college education. The response was exceptional. This year's column will also list several incentives offered by colleges and universities to attract students to their campus. By all indications, there is no reason why any student who is qualified should not take advantage of the benefits of a college education. Here, then are additional financial sources and incentives. Any regional or state restrictions are noted.

Financial Assistance

Minority Male Scholars in Education: Louisiana Department of Education. For Louisiana minority males interested in teacher education. Must teach for each semester of funding received. Award up to \$8,000. Call (504) 342-9617.

Minority Pre-Doctoral Teaching Fellowships: Carleton College. One year fellowship for minority students working on their dissertation. Award \$25,000. Students must teach half-time. Write Carleton College, One North College Street, Northfield, MN.

Percy Steele, Jr. Scholarship. Bay Area Urban League. For San Francisco Bay Area minority residents majoring in social work or social sciences. 1,000 word essay needed. Award \$1,000. April deadline. Call (510) 839-8011.

Financial Need Culturally Disadvantaged Scholarship. For undergraduate or graduate students with a GPA of 2.3 or higher. Awards from \$250 to \$3,000. Write National Scholars Foundation, P.O. Box 25347 Lafayette, LA, 70502-2534.

National Scholarship Program/Minority Leadership Programs. The Washington Center for Internships and Academic Seminars. Various scholarships and fellowships for minority students. Call (202) 336-7562 for details.

Health Careers Scholarship. Health Careers Foundation. For student preparing for careers in the health field including physical or occupational therapy. Awards up to \$3,000 Call (314) 770-1626 for information.

Juliette Derricotte Scholarship. Delta Sigma Theta. For graduate student study in social work for members of Delta Sigma Theta. Awards \$1,000 to \$2,000. Call (202) 986-2400 for complete details.

(See Assistance, Page 9)

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