TRADING from page 7L

ing your business. By bringing together buyers and sellers who may not have used each other’s services before, it can introduce your company to new customers. These may be one-time customers or people who come back to purchase services once they’ve become acquainted with the business.

Companies that actively barter may do as much as 5 to 10 percent of their business annually through trades. The National Trade Association, one of the largest barter exchanges, recorded a record-breaking $30 million worth of trades last year. And the ability to barter is not limited to size: corporate giants all the way down to one-person, at-home businesses can use it.

Barter exchanges typically charge a one-time membership fee. Some exchanges also may extend a line of credit to new members. That way, they can start using credits before they’ve sold anything through a successful trade. Barter exchanges also offer the advantages that they don’t require an even trade. You can use credits accumulated for one item to trade for several different items that together add up to your total credits.

Remember, however, if you get involved with bartering that there is no tax advantage. Barter and cash transactions are taxed equally by the Internal Revenue Service. In fact, the barter exchanges themselves must report goods and services sold through barter to the IRS.

Bartering also offers no guarantees. Some trades may happen quickly, others may take some time. An item a lot of businesses want—such as airline tickets—may be snapped up right away, while carpeting may take a few months to trade.

And you can’t always count on getting what you want, when you want it, through barter. The amount of certain goods and services available for trade may fluctuate during the year.

But you have to weigh the advantages against the disadvantages. Bartering turns your downtime or excess inventory into valuable commodities. It increases your sales while enabling you to purchase goods or services you need without any upfront cash. Remember: to make bartering work, you have to be patient, you have to persevere and you have to pick and choose what you want to purchase through barter.

—For more information on bartering, you can telephone the National Trade Association at (708) 390-6000.

Getting back tax refunds from losses you’ve previously incurred

by Mark Battersby

■ Fact of life: losses happen. And they aren’t always the result of bad management or a poor economy.

In fact, one type of loss, a tax loss, can result from too many deductions rather than poor management. The trick is to make the most from these particular inevitable losses.

Many lawn/landscape business owners view losses as a temporary situation, claim the loss, accept a zero tax bill and go on to the next year. However, under our tax rules, you are probably allowed to carry back a net operating loss (NOL) from your business to apply as a deduction against prior income and to deduct from succeeding years’ income any unabsorbed loss.

Put another way, a loss can produce a zero tax bill for the loss year but, handled properly, it can also result in a refund of previously-paid taxes or taxes that will be assessed when the company prospers again.

Simply stated, a NOL is the excess of allowable deductions over gross income, computed under the laws in effect for the loss year, along with any adjustments required by our tax law.

One of the prime benefits of a net operating loss is the fact that the losses may be carried back or carried forward to offset income in those years when profits—not losses—resulted from the operation of the business.

A loss can produce a zero tax bill for the loss year or earn you a refund of previously-paid taxes.

The NOL carryback or carryover is generally that part of the net operating loss that has not previously been applied against income for other carryback or carryover years. In general, the NOL can be carried back three years.

When it carries—A NOL is first carried back to the third year before the NOL year; if not entirely used to offset income in that year, it is carried to the second year preceding the loss year and any remaining amount is then carried to the tax year immediately preceding the loss year.

If the taxable income for the three preceding years is not sufficient to absorb the entire loss, any remaining loss is first carried to the year immediately following, then to the second year following, up to 15 years or until the entire loss is used up.

A special carryback refund procedure allows incorporated landscapers to get refunds from applying the NOL to an earlier year’s tax return by filing Form 1139 (Corporation Application for Tentative Refunds). The IRS is required to act on this application within 90 days of either the date it’s filed or the due date for the corporate income tax return, whichever is later.

The immediate cash infusion resulting from refunds of previously-paid taxes is not the only nice thing about NOLs. If you are entitled to a carryback period, you may choose, instead, to forgo the entire carryback period to carry the loss forward only.

This election must be made by the return due date (including extensions) for the tax year of the NOL. Unfortunately, the
Ornamentals can grow, even in difficult areas

Whether your clients' land is too wet, too dry, too shady or too steep, there are beautiful, hardy plants that will thrive.

The trick to a low-maintenance, long-lived landscape is selecting plants best suited to grow in the climate and soil conditions," says Dr. J. Robert Nuss, professor of ornamental horticulture at Penn State University.

Overly wet soils occur in low-lying areas and are produced by springs, a high groundwater table or nearby ponds or streams. "Consider yourself lucky if you have a wet area on [your client's] land," says Nuss. "It can support a wide range of exotic plants, many of which grow nowhere else."

Naturally, if you choose to ignore the carryback provisions of the rules, there is no reason to attempt to increase the current-year NOL since expenses and losses taken will be claimed in later years anyway.

Strategies—Here are some strategies you can use to increase a NOL legitimately:

• You can accelerate deductions into the next tax year by, for instance, purchasing next year's supplies in the tax year when a loss appears inevitable.

• In some cases, income can be deferred from the loss year to the next. Check with your accountant.

• You may want to take down losses on investment or other assets when their book values or bases are greater than fair market value.

• Planned equipment purchases can be accelerated to take advantage of the $17,500 expensing deduction or to increase the loss-year depreciation deductions.

• You might be able to take steps to nail down bad debt deductions for uncollectable accounts.

Net operating losses are not always bad. All to often, they are the result of depreciation, first-year write-offs (up to $17,500) of nearly-acquired equipment, fixtures or other business assets.

Tax Form 1139 is the key. But if a carryback entitles you, your estate or your trust to a refund of prior-year taxes, file Form 1045 for a quick refund.

—The author is a freelance writer specializing in tax and financial issues. He is based in Ardmore, Pa.

HARDY PLANTS FOR THE LANDSCAPE

ANNUALS FOR SHADY, POORLY DRAINED AREAS:
impatiens, sweet alyssum, scarlet sage, blue sage, verbena, some wildflowers (cardinal lobelia, forget-me-not, wild iris, many violets)

SHRUBS AND TREES FOR DAMP, SHADY AREAS:
alder, dogwood, pussy willow, weeping willow, magnolia, mountain laurel

FLOWERS FOR SHADY BUT DRIER AREAS:
columbine, lily of the valley, bleeding heart, balloon flower, daylily

SHRUBS AND TREES FOR SHADY BUT DRIER AREAS:
boxwood, false cypress, holly, hemlock, pine, yew, barberry, cotoneaster

ANNUALS FOR SUNNY, DRY SLOPES:
marigold, zinnia, four o'clock, geranium, cosmos

PERENNIALS FOR SEMI-ARID AREAS:
yarrow, butterflyweed, daylily, lupine, oriental poppy, prickly pear cactus, many groundcovers like crownvetch and sedum, some ornamental grasses

PLANTS FOR HEAVY CLAY SOILS:
mint, coltsfoot, Siberian iris, perennial sweet pea, red maple, American Hornbeam, pin oak, arborvitae

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