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Credit has been extended.

Feb. 03, 2013

Oklahoma officials are reminding employers that the Federal Indian Lands Tax Credit has been extended.

The credit allows employers whose businesses are on tribal land or on former reservation land — two-thirds of Oklahoma — to take tax deductions on employees or their employees' spouses who hold CDIB cards and employ an accelerated depreciation rate on business property, according to a media release from the Oklahoma Department of Commerce.

CPA Kathy Hewitt said the tax credit was made retroactive for 2012 taxes as well as extended to Dec. 31, 2013. For area employers, that means big tax deductions in two ways.

One way is by accelerating depreciation of business property, thereby reducing taxes owed.

"So, if you have something, an asset that depreciates over five years, it depreciates in three," Hewitt said.

The second part of the tax credit is for those who have business on tribal land or former tribal land and employ people who are on tribal rolls.

According to the Oklahoma Department of Commerce, employers can deduct up to \$4,000 per employee holding a CDIB card and for employees whose spouses hold a CDIB card. The credits do have some limitations.

Depreciation acceleration is limited to up to 40 percent in depreciation of

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employer. IRS Form 8845 is used for computing and claiming the credit.

For example, Company A has a qualified employee to whom the store pays \$15,000 in total wages and health insurance in 1993. In 2013, the company pays the same person \$35,000. The credit is computed as follows:

- 2013 Wage/Health Insurance — \$35,000;
- 1993 Wage/Health Insurance — \$15,000;
- Increase — \$20,000;
- Rate of Credit — 20 percent;
- Indian Employment Credit equals 20 percent of the increase — \$4,000.

Hewitt said employers should ask their employees if they or their spouse hold a CDIB card and keep copies on hand in case the IRS does an audit in the future.

The Oklahoma Department of Commerce recommends employers seek professional legal and tax advice before taking advantage of the Federal Indian Lands Tax Credit.

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