Small Business Tax Incentives for Employers: Tax Credits, Grants, and More

Small-business owners often find themselves in a dilemma: they want to grow their business to meet demand, but tight financial circumstances can make it difficult to expand. Even if it may not seem like the time to expand, the opportunity may exist. There are several tax credits, grants, and incentives that can support and encourage growth. Learn how small business incentives can help create jobs, train staff, and even facilitate opening a new location.

What are Business Tax Incentives?
Tax incentives are exemptions, credits, deductions, or exclusions that reduce a company's tax liability to the state or federal government in exchange for making certain choices (e.g., reduce its environmental footprint, increase health benefits for employees, support minorities, etc.). Business owners can then use that money to invest in business growth and improvements.

What is the Purpose of Small Business Tax Incentives?
Tax credits for small businesses can help federal, state, and local governments make headway in meeting their specific strategic goals. Tax incentives serve a range of purposes, such as increasing jobs or offering a boost for certain industries. Examples of Small Business Tax Incentives:

- The Small Business Health Care Tax Credit
- Work Opportunity Tax Credit (WOTC)
- Employee Retention Tax Credit

Incentives Through Financial Grants for Small Businesses
A grant is a designated amount of money given by an organization for a specific purpose. Small-business grants can come from municipal, state, or federal governments and corporations. Grants are not loans. Financial grants to small businesses do not have to be repaid. Through a grant, a small business can secure funding to advance a specific program or initiative.

Other Incentive Programs for Startups and Small Businesses
Outside of grants and tax credits for business owners, there are also incentive programs for small businesses. These programs can ease your tax burden or provide financial assistance in exchange for helping a city, county, or state achieve its goals of stimulating its economy and improving the lives of residents.

State Hiring Incentives - If a company is ready to grow, state hiring incentives can help offset some expenses but business owners need to understand a program's requirements before bringing on new hires.

Expansion Incentives - Whether expansion means launching a startup, expanding a current business, or relocating operations, a government agency will want to know details on how that business will improve the region.

Job Creation - Because local, state, and federal governments want to strengthen the economy, your business owners will likely need to detail how many new job positions their business will create.

Use Tax Incentives to Grow Your Business
Tracking down a small-business tax credit can be tricky, so your business owners should be prepared to make a lot of calls and fill out a stack of paperwork. However, the rewards are often significant for securing small business financing and can help their business grow even more than they may have anticipated.

Connect with an expert at Paychex to understand how tax incentives work and identify those which business owners may be eligible to claim.