

Gershon Biegeleisen & Co.

CERTIFIED PUBLIC ACCOUNTANTS
111 Madison Ave • Lakewood, NJ 08701
Phone (732) 886-6311 • (732) 577-8844
Fax (732) 886-9711 • 732-577-8456

Newsletter

JUNE 2012

Second 2012 estimated tax payment is due June 15

June 15, 2012, is the due date for making your second installment of 2012 individual estimated tax. Your check to the United States Treasury should be accompanied by Form 1040-ES. June 15 is also the due date for calendar-year corporations to make their second quarter 2012 estimated tax payment.

IRS releases vehicle deduction limits for 2012

The IRS has published depreciation limits for business vehicles first placed in service this year. Because 50% bonus depreciation is allowed only for new vehicles, these limits are different for new and used vehicles.

For new business cars, the first-year limit is \$11,160; for used cars, it's \$3,160. After year one, the limits are the same for both new and used cars: \$5,100 in year two, \$3,050 in year three, and \$1,875 in all following years.

The 2012 first-year depreciation limit for trucks and vans is \$11,360 for new vehicles and \$3,360 for used vehicles. Limits for both new and used vehicles in year two are \$5,300, in year three \$3,150, and in each succeeding year \$1,875.

For details relating to your 2012 business vehicle purchases, contact our office.

Ask questions before going into business with your spouse

Starting and running a business is rarely a safe or simple process, and doing so with one's spouse creates an additional layer of complexity. Whether that complexity will have a positive or negative effect depends on several factors. Here are some of the questions you need to discuss before going into business with your spouse.

- How well do you work together at home? If you cooperate and collaborate for domestic chores, you'll probably carry that pattern into your workplace. If you bicker constantly over how to do the laundry or maintain the yard, working together in business might be a risky option.
- Even if you work well together, some disagreements are inevitable. How do you handle differences of opinion?
- Will your business be adequately capitalized? You won't have an outside salary to fall back on during hard times.
- Will there be other partners or employees? Each spouse's role and responsibilities with respect to coworkers and subordinates should be clearly defined. Spouses with drastically different management styles can make life miserable for employees and each other.

- Will one of you be supervising the other and/or reviewing the other's work? You'll need to concentrate on treating one another with respect, especially when giving or taking constructive criticism. Conversely, continually overlooking your spouse's mistakes or failings may drag down employee morale or otherwise harm your business.
- Are your strengths complementary or redundant? For example, if you're a pair of engineers starting an engineering firm, you might leave functions such as marketing and accounting to employees or outside services so you can work together within your area of expertise. If you find your professional decisions tend to clash, consider splitting up your clients or processes and working separately within two divisions.

We can help you address the relevant issues and devise a business plan based on your capabilities, personalities, and desires. Call us for an appointment to explore the possibilities.

Taxes play a role in diversifying your investments

Savvy investors often spread their risks by investing in a variety of asset classes such as stocks, bonds, commodities, and real estate. But with a changing tax landscape, investors might consider three more classes: taxable, tax-deferred, and tax-free.

In days gone by, taxpayers often worked under the assumption that their tax bracket would be lower after they retire. Therefore, a common strategy was to defer as much taxable income as possible to the golden years. Now, however, with the possibility of higher tax rates in the future, it could be more efficient to pay those taxes today while rates remain lower. Since no one knows for sure what Washington will do, it might be time to hedge your tax risk and allocate your portfolio between accounts with differing tax consequences.

- **Taxable accounts**, such as savings or brokerage accounts, result in current taxation on earnings, but they do provide maximum flexibility. You can withdraw as much as you wish whenever you wish, with no IRS penalties or taxes. Keeping some of your nest egg in this type of account will provide immediate funds for major purchases or debt reduction.
- **Tax-deferred accounts**, such as IRAs or 401(k)s, only postpone the payment of taxes; eventually you will have to pay Uncle Sam when you withdraw the funds. But in the meantime, you generally receive a current-year tax deduction when you contribute, and the account can grow tax-free until you take it out at retirement.
- **Tax-free accounts**, such as Roth IRAs, are funded with after-tax dollars. What you put in, including any investment earnings, can be later withdrawn tax-free. The downside? You generally must wait until after age 59½ (and the account has to be open for five years) to make a tax-free withdrawal.

Diversifying your portfolio is only the first step. The next (and trickiest) step is properly investing in each type. For instance, your goal for a taxable account might be to generate growth while keeping taxable earnings to a minimum. This could be done by investing in tax-exempt municipal bonds or low-dividend yielding growth stocks.

In a tax-deferred account, investment income is not taxed until withdrawn, so earnings can come from any source without immediate tax implications. However, since you must start withdrawing funds from an IRA or 401(k) at age 70½, you might want to stay away from highly volatile investments as you approach that age. Your account will have less time to rebound from a down market.

Tax-free Roth IRAs offer the longest time horizon for investing since you are not required to make a withdrawal at any age. So investments with higher risks or lower liquidity might fit best here.

In an era of high uncertainty and low expectations, tax-efficient investing has never been more important. To review the tax implications of your investments, give our office a call today.