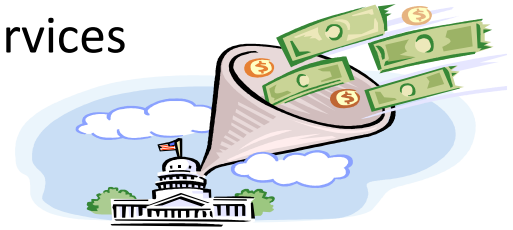




LS Ross CPA & Financial Services

Tax Tips



- IRA CONTRIBUTION LIMITS (traditional): 2011 - \$5000 2012 - \$5500
401(k) CONTRIBUTION LIMITS: 2011 - \$16,500 2012 - \$17,000
(If 50 or older, IRS contribution limits increase: 2011 - \$6000 2012 - \$6500
(If 59 or older, 401(k) limits increase: 2011 - \$22,000 2012 - \$22,500
- ZERO TAX RATES still apply to certain Long Term Capital Gains and Dividends if you are in the 10% or 15% tax bracket (taxable income below \$34.5k for singles and \$69k for joint filers in 2011).
The LT capital gains rate* remains at 15% if you are at the 25% or above tax bracket.
TAX STRATEGY: Gifts of appreciated securities to taxpayers in the lowest brackets might be a worthwhile strategy to maximize value of such gifts (and minimize tax).
TAX STRATEGY: For 2011 and 2012, qualified dividends tax rates are lower than tax rates on interest income from CD's.
- TUITION TAX CREDIT: The \$2500 maximum tuition tax credit, of which 40% is refundable, was extended for 2011 & 2012. Note that income, years in college and other limitations must be considered.
(2010 Tax Relief / Job Creation Act)
- NOT SUBJECT TO SELF EMPLOYMENT TAX: If you work an odd job just several times per year, the IRS says it is not subject to SE tax (but still subject to income tax). Only if your work is continuous and regular are you required to pay SE tax on that income. An example is if your neighbor pays you to paint his house but you do not regularly nor typically paint for income, then the amount your neighbor pays you is not subject to SE tax (only income tax).
- GIFTS TO EMPLOYEES: Small gifts to an employee or use of company facilities by an employee is not considered employee income due to the de-minimus rule. For instance, an occasional sporting event ticket, theater ticket, non-cash birthday or holiday gifts, the occasional party, group meal, phone calls, or other small gift being given as a consideration for an illness, family crisis or good performance is not accountable as employee income.
- 100% Meals & Entertainment deduction: Meals occasionally provided by the company during working hours and consumed on the premises for the specific purpose of employee work efficiency (to benefit the employer), are 100% deductible. These occasional meals must be provided to all relevant employees and not only owners. Similarly, "expenses for recreational, social, or similar activities (including facilities therefor) primarily for the benefit of employees" (not owners) are not limited to a 50% deduction - substantiation would be expected.

- GIFTS TO CUSTOMERS: The \$25 per year per customer maximum gift allowance does not apply to the value of the gift, it applies to the maximum deduction allowable for that gift. The limit does not apply to small widely distributed gifts which include your company logo, etc.
- Deduct 100% of Sporting Event: The IRS allows the cost of your participation in a charitable sporting activity to be 100% deductible as long as the net proceeds benefit a qualified charity and volunteers operate the event.
- Keeping Tax Records – This might HELP!!!
 - a. Meal & Entertainment expense documentation is required BUT a receipt is not necessary if the total is less than \$75 per day. The documentation must include place, purpose, attendees and amount.
 - b. Auto Mileage Log exception: Keep a detailed mileage log for a 90 day consecutive period each year. If your business use percentage is consistent over that 90 day period, it will satisfy the business use percentage for the year.
- Businesses Incentives: 50% & 100% bonus depreciation in one year are available for certain leasehold improvements and equipment placed in service in 2011 and 2012. This is separate from the 100% expensing of assets available in 2011 and 2012 as well. (2010 Tax Relief/ Job Creation Act)
- 1099K – new in 2011: Credit & debt card merchant providers are required to issue a 1099-K to ALL payees (any person that accepts a payment card as payment) for ALL merchant transactions in 2011. PayPal users will receive a 1099-K also but only if their annual receipts exceed \$20,000 and the aggregate number of transactions exceeds 200. Payee statements (from the merchant card provider) are to be furnished by Jan 31, 2012. The intent of Congress was to capture more unreported income.

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DID YOU KNOW?

- ✓ There is NO money in the “Social Security Trust Fund” – only IOU’s.
- ✓ 72% of Social Security recipients begin collecting benefits at age 62.
- ✓ 34% of retirees rely on Social Security for >90% of their retirement income.
- ✓ A Rule of Thumb is that your daily expenses during retirement will equal 80% of your pre-retirement expense.
- ✓ A 65 yr old couple retiring in 2011 will incur \$230,000 in medical care during retirement.
- ✓ In 2008, less than 1% of the total returns filed (323,067 taxpayers) had an Adjusted Gross Income exceeding \$1million. 44,027 of those returns were from California residents.
- ✓ In 2009, taxpayers with an AGI over \$1million paid 20.4% of all income tax.

Disclaimer: The contents of this document are not to be consider personal tax advice. Personal circumstances will alter the availability of any tax deduction or credit. Many relevant factors must be considered.