

Leif Jensen and Associates

Newsletter

November, 2012

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November Fun Facts

Thanksgiving was first celebrated in the US in 1789

John F. Kennedy was assassinated in November, 1963

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Dates to Remember

- Veterans Day
- Thanksgiving

Dear Reader,

As CPA's we are committed to providing a full range of high quality professional services including: accounting, bookkeeping, consulting, payroll, management advisory services, income tax preparation, auditing and other attestation services. Our goal is to meet our client's expectations as their most trusted advisor.

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Business Owners

Business owners have the ability to shift income and expenses between 2012 and 2013. High-income professionals may want to plan on speeding up billings to report income in 2012. This will allow them to lock in the 35% top rate.

If Obama wins in November, it is probable that the rates on upper-incomers will rise in 2013. Those who expect to be in the same tax bracket or lower bracket in 2013 can implement the opposite strategy and delay their billings. Similarly, owners may want to ensure year-end bonuses are taxed in 2012 rather than in 2013. There will be time after the elections to implement a strategy, but some aspects will be dictated by Congress.

Salary or Dividends

If you are the owner of a "C" corporation you may want to weigh taking dividends in lieu of salary. This strategy that can pay off if the corporation is in a low tax bracket and the owner is in a high bracket.

The owner's tax savings comes from the 15% top rate on dividends instead of ordinary income; plus the payroll tax savings on the dividend can exceed the extra tax the corporation pays because the dividend isn't deductible.

Unfortunately this strategy will not work for S firms. Or for personal service firms who have to pay a flat 35% tax.

In 2013 the maximum tax rate on dividends received by high-incomers is going up next year on account of the 3.8% Medicare surtax.

2013 will be fun for all.

This Month's Featured Service

Quickbooks Training

We conduct Quickbooks training seminars in-house or at client's offices. These seminars are structured to the client's specific needs. We are Certified Quickbooks Pro Advisors (2006 - 2012).

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Year End Tax Planning

If a component of your year end tax planning is purchasing assets, try to place them in service by December 31. The 50% bonus depreciation is the reason. Businesses can write off half of the cost of qualifying assets put in service this year, even for assets bought and take possession in late December.

Bonus depreciation is available on new assets with useful lives of 20 years or less which includes: machines, equipment, land improvements and farm structures (a truly important issue for my clients). Leasehold improvements made to the interiors of commercial realty are eligible, too.

Bonus depreciation is scheduled to end after 2012. The probably is that it will not be revived. Expensing is also available for assets placed in service by December 31. Also available businesses ability to expense up to \$139,000 of assets put in use in 2012.

The ability to expense assets in lieu of depreciation phases out dollar for dollar once over \$560,000 of assets that are placed in service.

Featured Client



STA enjoys the distinction of being one of the leading companies offering CPR certification and workplace safety training in the Chicagoland Area. We are committed to delivering more than simply a training class with workbooks-we will help you develop a safety attitude among your employees to respond to emergency situations where seconds make a difference.

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