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TaxScriptions

"A Prescription For Tax Relief"



Volume III Issue I

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Looking to Cut Expenses?

Have you had your credit card merchant fees analyzed yet?

Rosen & Associates, LLP has been able to save our clients thousands of dollars in merchant fees by having them analyzed. Are your rates as low as possible?

For more information email us at info@rosencpagroup.com

Looking to Save Time?

- Streamline your Front Desk

UPCOMING EVENTS

YANKEE DENTAL CONGRESS

January 26 - 29, 2012

Please come by and see us at **booth 813** to say hello and pick up the latest "**See How You Compare**" booklet (and a candy bar).

Larry S. Rosen, CPA, MBA will be participating on a panel Saturday, January 28th from 9:00 am - 12:00 on "Practice Transitions: Planning and Pitfalls".

Mark B. Rosen, CPA, CFP, will be speaking on Sunday, January 29th from 8:30 am - 11:30 am on "Starting Your Journey Into Practice Ownership".

Comments from the Corner Office

Year-end tax planning is especially challenging this year because of uncertainty over whether Congress will enact sweeping tax reform that could have a major impact in 2012 and beyond. Even if there is no major tax legislation in the immediate future, Congress next year will still have to grapple with a host of thorny issues, such as whether to once again "patch" the alternative minimum tax (e.g., to avoid a drastic drop in post-2011 exemption amounts), and what to do about the post-2012 expiration of the Bush-era income tax cuts (including the current rate schedules, and low tax rates for long-term capital gains and qualified dividends), and the expiration of favorable estate and gift rules for estates of decedents dying, gifts made, or generation-skipping transfers made after Dec. 31, 2012.

- **More time for your Office Manager to concentrate on collections**
- **Less Staff Complaints**

With all the new payroll laws and changes, a switch to a payroll company to take over the payroll reporting may make sense for your Practice.

For more information please contact your Account Manager.

Important Tax Dates & Deadlines:

December 31, 2011

Individuals:

4th quarter state estimated tax payment due (if not subject to AMT)

January 15, 2012

Individuals:

4th quarter estimated tax payments due for federal and state (if subject to AMT)

January 31, 2012

Businesses:

4th quarter payroll returns due (Forms 940 and 941)
W-2s need to be distributed to employees

1099 MISC furnished to recipients

February 15, 2012

Businesses:

Last day for filing W-4 by employees who wish to claim exemption from withholdings

February 28, 2012

Businesses:

File W-2's with Social Security Administration

File Annual 1099's with IRS

Regardless of what Congress does late this year or early the next, there are solid tax savings to be realized by taking advantage of tax breaks that are on the books for 2011 but may be gone next year unless they are extended by Congress.

Like this time last year, we have again compiled some tax planning items that may help you save on taxes if you act before December 31st. Not all items will apply to your particular situation, but you (or a family member) will likely benefit from many of them.

Please feel free to call us if you have any questions or would like to discuss your tax planning strategies.

Larry S. Rosen, CPA, MBA

Managing Partner of Rosen & Associates, LLP

2011 Year End Tax Planning

Individuals:

- Maximize Retirement!
- Prepay expenses (including your mortgage) and delay receiving income
- Before 12/31/11 make energy saving improvements to your main home to qualify for a 10% tax credit (the total amount of credit that can be claimed in 2011 is \$500 - ineligible to individuals who have claimed \$500 or more in previous years)
- Realize losses on stock sales while substantially preserving your investment position
- To reduce or eliminate estimated tax penalties - increase your withholdings from wages or an eligible rollover distribution from a qualified retirement plan
- Possibly convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries
- Take required minimum distributions (RMD) from your IRA or 401(k) plan (or other employer-sponsored retired plan) if you have reached age 70 1/2. **Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn.**
- Make annual exclusion gifts before year end to save gift tax. You can give \$13,000 in 2011 or 2012 to an unlimited number of individuals free of gift tax
- Gift appreciated stock to charity

Businesses:

- Purchase and place business equipment and machinery into service before year end to qualify for a **Section 179**

March 15, 2012**Businesses:**

File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A)

OR

Corporate Extension Due (Form 7004)

April 15, 2012**Individuals:**

File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ)

OR

Individual Extension Due (Form 4868)

First Installment of Individual Estimated Tax Due (Form 1040-ES)

Estates and Trusts:

File Fiduciary Tax Return (Form 1041)

OR

Fiduciary Extension Due (Form 7004)

Businesses:

File Partnership Income Tax Return (Form 1065)

OR

Partnership Extension Due (Form 7004)

April 30, 2012**Businesses:**

1st quarter payroll returns due (Form 941)

1st quarter sales tax returns due

deduction which is **\$500,000** for **2011** however reverts back to **\$139,000** for **2012**

- **Expiring 12/31/11** is the **15 year** write off (if you do not own building) for Qualified Leasehold Improvement Property after 12/31/11 such property will have to be depreciated over **39 years**
- Purchase and place **new** business equipment and machinery into service before 12/31/11 (9/8/10-12/31/11) to qualify for 100% bonus first-year depreciation allowance (For qualified property acquired placed in service after 12/31/11 & before 1/1/13 a 50% bonus depreciation allowance will apply)
- Set up a self-employed retirement plan if you are self-employed and haven't done so yet
- Put your children on the payroll
- **Work Opportunity Tax Credit (WOTC)** allows employers who hire members of certain targeted groups to get a credit against income tax of a percentage of first year wages up to \$6,000 per employee before 12/31/11
- Consider using a credit card to prepay business expenses that can generate deductions for this year

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you.

2011 Market Update

By: John Maher, Financial Consultant, CCR Wealth Management, LLC

Oscar Wilde wrote; "*The basis for optimism is sheer terror*". It is perhaps human nature to fixate on negative news, and ignore more innocuous data that does not support the direst forecasts blaring from newspaper headlines and television news lead-ins.

We take pains to examine downside probabilities in relation to individual portfolio objectives at CCR Wealth Management, and given the largely conservative predisposition of many of our clients, we go to lengths to ensure we're not wearing rose-colored glasses. Our October "Outlook" highlighted what we feel are reasons for investors to strive for more objectivity than the typical headline offers. Some points for a more positive outlook included:

- More positive US manufacturing data (ISM-manufacturing) in September-a leading economic indicator.
- More positive non-Manufacturing economic data (ISM-services) in September-another leading economic indicator.
- A positive trending weekly (moving average) jobless claims number-not portending recession (not to be confused with non-farm payrolls-which we expect to rise slightly in the months ahead).

2011 Auto/Truck Depreciation Limits with 50% Bonus Rules (new vehicles)

Qualified Passenger Autos

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,060
2nd Tax Year	\$4,900
3rd Tax Year	\$2,950
Thereafter	\$1,775

Qualified Trucks and Vans

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,260
2nd Tax Year	\$5,200
3rd Tax Year	\$3,150
Thereafter	\$1,875

Tips For A Faster Individual Tax Return

Complete the Tax Organizer and send all of the followings documents:

- Bank & Brokerage 1099s
- Settlement Stmt's for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

Frequently Asked Questions?

What is the standard business mileage rate for 2011? 55.5 cents for

- Seasonality of market weakness and volatility in September and October
- Comparative strength of US corporate balance sheets, utilization rates (to 2008), and valuations.

To this list we would also add the innocuous (if not slightly better than expected) list of Q3 earnings reports so far, which we are in the midst of digesting.

Of course the unfolding developments in Europe (indeed- having been unsatisfactorily unfolding for two years now) have been the source of most market volatility we've witnessed in the past quarter. To be sure, "optimism" with regard to a near-term resolution of European fiscal (and by extension, banking and economic) woes is likely misplaced. The market awaits a "grand plan" by which the larger economies of Italy and Spain will be firewalled from the inevitable defaults of Greece, and likely Portugal. Unfortunately, we expect a resolution in the low "billions" where the appetite is calling for something closer to \$1 trillion. To handicap such an outcome, imagine a legislative body comprised of 17 different national interests, cultures and (several languages) essentially mimicking the US TARP legislation that was passed in 2008. In any event- such a resolution is "due" by the G20 summit meeting November 3-4.

In short- we've discussed the need to *expect* further volatility with our clients, but such volatility ("sheer terror") has produced both diminished expectations- and attractive fundamental and dividend valuations (our basis for optimism).

CCR Wealth Management has generally recommended clients take advantage of attractive opportunities with a shift in equity weightings from small cap to large-cap value, remain steadfast on emerging markets, and continue to favor bonds and bond funds with lower average investment grade credit weightings.

The views are those of CCR Wealth Management LLC and should not be construed as specific investment advice. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Investors cannot directly invest in indices. Past performances does not guarantee future results. Securities offered through Multi-Financial Securities Corporation. Registered Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, CCR Wealth Management, LLC. Registered Investment Advisor. Multi-Financial Securities Corporation and CCR Wealth Management, LLC are not affiliated companies. Additional information can be found at <http://www.ccrwealth.com>.

Looking for a Large Tax Deduction? *By Al Schwartz, Retirement Planning Group, LLP*

- *Have you been neglecting your retirement Account?*
- *Want to make up for recent losses in retirement account?*
- *Looking to contribute more than \$49,000 per year?*
- *Do you earn well in excess of \$250,000 per year?*

travel 7/1/11 - 12/31/11
(51 cents - 1/1/11 -
6/30/11)

What is the medical care mileage rate for

2011? 23.5 cents for travel from 7/1/11 - 12/31/11 (19 cents - 1/1/11 - 6/30/11)

What is the long-term capital gain rate for 2011 and 2012? 15%

Well then maybe a Cash Balance Plan is right for you and your Practice!

A Cash Balance Plan is a special type of Defined Benefit Plan that operates like a 401(k) plan, but allows the employer to contribute a greater percentage of the retirement contribution to themselves, or another targeted individual. This is done by using a series of non discrimination rules in which contributions are then credited with a specified interest rate. Cash Balance plans are similar to 401(k) plans because each participant has their own individual investment account, and is not part of a pooled account, which is how a Defined Benefit plan operates. However, they differ from 401(k) plans because the investment risk remains with the employer and the participants do not get to make any investment decisions. If an employer is looking to have the ease of understanding of a 401(k) plan, but the higher contribution limits of a Defined Benefit plan, they should consider a Cash Balance program.

<u>Type of Plan</u>	<u>2011 Contribution Limits</u>
401(k) Plan	\$16,500 (plus \$5,500 catch-up \geq 50 yrs old)
Defined Contribution PS Plan	\$49,000
Defined Benefit Plan	\$195,000
Cash Balance Plan	\$195,000
SIMPLE Plan	\$11,500 (plus \$2,500 catch-up \geq 50 yrs old)
Traditional & Roth IRA	\$5,000 (plus \$1,000 catch-up \geq 50 yrs old)

Retirement Planning Group, LLP is a Third Party Administrator (TPA), with 35 years experience, specializing in the design and maintenance of retirement plans, including 401(k), Profit Sharing, traditional Defined Benefit and Cash Balance programs.

Quick Links

[Latest News & Events at Rosen & Associates, LLP](#)

[IRS](#)

[Massachusetts Department of Revenue](#)

[Connecticut Department of Revenue Services](#)

[New Hampshire Department of Revenue Administration](#)

[Rhode Island Division of Taxation](#)

[Maine Revenue Services](#)

[Vermont Department of Taxes](#)

[Academy of Dental CPAs](#)

Top 10 Business Challenges Facing the Young Dentists

We work with several young and new dentists every year helping them start and build their practices. We have found that many of these practices face the same challenges year after year. Below are the top 10 challenges that we have identified.

1. Finding and Negotiating Your First Associateship
2. How and When to Become an Owner
3. Entity Choice
4. Leadership
5. Operation of a Profitable Practice
6. Choosing the Proper Retirement Plan
7. How to Invest for Success
8. To Buy or Build a Building
9. How to Tackle the Debt Problem
10. Living Within Your Means

If you are just starting out or have an existing practice and are looking for guidance, please contact Mark Rosen at 508-926-2400 to discuss your current situation.

Phishing Schemes

Phishing is the act of sending an unsolicited e-mail to a user falsely claiming to be a legitimate enterprise in an attempt to scam the user into providing personal and financial information that could be used for identity theft. In addition to scam e-mails, there are illegitimate

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websites or a pop-messages that will ask for your private information to steal your identity. ***Legitimate companies including the Internal Revenue Service do not ask for this type of information via e-mail.*** If you are concerned about your account, contact the organization in the e-mail by using a telephone number you know or open a new Internet browser session and type in the company's correct Web address yourself.

If you receive an e-mail claiming to be from the IRS that contains a request for personal information:

- Do not reply
- Do not open any attachments. Attachments may contain a malicious virus that will infect your computer
- Do not click on any links
- Forward the e-mail as is, to the IRS at phishing@irs.gov
- After you forward the e-mail delete the original e-mail message you received

If you discover a website on the Internet that claims to be the IRS and you find it to be suspicious:

- Send the URL of the suspicious site to phishing@irs.gov

If you receive an unsolicited fax claiming to be the IRS, requesting personal information:

- Contact the IRS to determine if the fax is from the IRS
- If you learn the fax is not from the IRS please send the IRS the information via e-mail at phishing@irs.gov
- After you forward the e-mail delete the original e-mail message you received

For important information and examples of identity theft and phishing click on the following link: "**Suspicious e-Mails and Identity Theft**"

For a sample of an actual IRS related phishing e-mail or scam fax click on the following links: "**Sample of Phishing e-mail**" or "**Sample of Fax Scam**"

Small Business Health Care Tax Credit

Enacted in 2010 the Small Business Health Care Tax Credit provides small employers with a tax credit (i.e., a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees. The credit can offset an employer's regular tax or its alternative minimum tax (AMT) liability.

Small business employers eligible for the credit:

Qualifications - your practice must do **ALL** of the following:

- Offer health insurance to its employees as part of their compensation
- contribute at least half the total premium cost
- have no more than 25 full-time equivalent employees ("FTEs")
- employees must have annual full-time equivalent wages that average no more than \$50,000

Limits -

- Full amount of the credit is available only to an employer with 10 or fewer FTEs
- employees that have an average annual FTEs from the employer of less than \$25,000

Years the credit is available:

- 1st Phase - 2010, 2011, 2012 or 2013
- 2nd Phase - potentially qualify for 2014 & 2015

Calculating the amount of the credit:

- 1st Phase - credit is generally 35% of employer's nonelective contributions toward the employees' health insurance premiums
- 2nd Phase - credit is generally 50% of employer's nonelective contributions toward the employees' health insurance premiums
- credit phases out as practice size & average wages increase
- credit claimed on employer's annual income tax return - IRS to provide further information

Special rules:

- Employer entitled to ordinary business expense deduction equal to the amount of employer contribution minus dollar amount of credit
- Self-employed individual, including partners and sole proprietors, 2% shareholders of an S-Corp. & 5% owners of employer are not treated as employees for purposes of credit
- no credit available for any individual not taken into account in determining the number of full-time equivalent employees or average full-time equivalent wages

For additional information about the Small Business Health Care Tax Credit please click on IRS link below:

[Small Business Health Care Tax Credit: Frequently Asked Questions](#)

2011 & 2012 Tax Numbers

	<u>2011</u>	<u>2012</u>
Ann. Def. Contrib. Plan Part. Dollar Limit	49,000	50,000
Annual Compensation Limi	245,000	250,000
401(k) Employee Elective Deferral Limit	16,500	17,000
401(k) Catch-Up Contrib. Age 50 & Over	5,500	5,500
SIMPLE Plan Employee Elective Def. Limit	11,500	11,500
SIMPLE Plan Catch-Up Contr. Age 50 & Over	2,500	2,500
IRA (Roth & Traditional) Contribution Limit	5,000	5,000
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	5.0M	5.12M
Federal Lifetime Estate Tax Exclusion	5.0M	5.0M
Maximum Federal Estate Tax Rate	35%	35%
Maximum Federal Gift Tax Rate	35%	35%
Annual Gift Tax Exclusion Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	500,000	139,000
Social Security Taxable Wage Base	106,800	110,100
Standard Deduction (Single)	5,800	5,950
Standard Deduction (Married Filing Jointly)	11,600	11,900

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