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STRAIGHT TALK ABOUT SMALL BUSINESS SUCCESS

The newsletter designed to keep you on course to build a successful small business



Happy New Year! On behalf of myself and all of my employees, I'd like to take this opportunity to wish you a healthy and prosperous New Year and extend my appreciation for your business over the past year.

The New Year is frequently a time spent analyzing the year just gone and evaluating our successes and our failures. All too often, our New Year's resolutions remain unfulfilled and we again vow to achieve them at the start of the new year. If this sounds like you, a different approach could be all that's needed to ensure the same thing doesn't happen again next year. The article, "This year, resolve to do something different", offers advice on approaching your particular situation so you can make 2012 a year of success! As we begin 2012, tax season is right around the corner. There were plenty of changes to tax laws over the past year which may have a large impact on your tax return. I look forward to catching up with you soon so we can get started on your 2011 tax filings.

On that note, this month we've continued the discussion from last month's issue with the second installment of, "Business Deductions You Can't Afford to Forget." You may find there are some items you weren't even aware could be claimed, and others that are subject to certain eligibility criteria or thresholds. If you have any doubt about allowable business deductions, be sure to ask us—it's best to clarify your position and be sure of all the costs and benefits of purchases as you make them.

Again, please accept my warm wishes for the New Year, and I look forward to strengthening our relationship in 2012 and beyond.

Sushil Kumar, CPA

Business Deductions You Can't Afford to Forget



Continuing on from last month, there are some important tax deductions that business owners should keep in mind to legally minimize taxable profit, thereby minimizing the amount of tax you have to pay to Uncle Sam.

Equipment Purchases

Subject to certain thresholds and capitalization rules, some small businesses

can deduct the full cost of the purchase of some assets in the year of purchase.

For the 2011 year, you're permitted to deduct up to \$500,000 of the cost of these eligible assets, however, this limit is phased out if purchases exceed \$2 million, and there are some exclusions such as real estate, inventory/stock which is intended to be sold, and property purchases from family.

In 2012, the limit of \$500,000 decreases to \$125,000, so if you have appropriate cash flow it would be prudent to consider the timing of your purchases.

The first-year bonus depreciation deduction continues through 2011 and 2012. Under this deduction, the taxpayer is

entitled to claim an additional 50% (2012) or 100% (2011) depreciation in the first year the qualified property is placed into service. This is an extraordinary bonus and can result in very large reductions in tax for some taxpayers—and is in addition to the standard Section 179 deduction!

Relocation Costs

Relocation or moving costs are generally deemed a personal expense. However, if you are required to move because of your employment, some of these previously non-deductible amounts may qualify as allowable deductions.

To be eligible, the relocation must be in connection with your employment as either an employee or business owner, and the new workplace must be at least 50 miles farther away from your previous residence than the old workplace.

Although relocation costs may become allowable deductions, they are not classified as business expenses and are disclosed separately on Form 1040.

Software

The standard method of claiming deductions for software expenses is to depreciate over a three year (36 month) period,

	Tax	
50,245.00	7,512	142,733.00
25,466.00	-	25,466.00
165,412.00	8,271	157,141
175,945.00	12,532	238,477
12,501.00	33,797	68,298
		8,251
		16,000

Continued on page 2



Business Question/Tip:

Q: I am 44 years old and would like to open up a traditional IRA. What is the maximum amount that I can contribute for 2011?

A: Since you are under 50 years of age at the end of 2011, the maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$5,000 or the amount of your taxable compensation for 2011. This limit can be split between a traditional IRA and a Roth IRA but the combined limit is \$5,000. The maximum deductible contribution to a traditional IRA and the maximum contribution to a Roth IRA may be reduced depending on your modified adjusted gross income.

Deductions... Continued from page 1

however, if you purchase a computer which comes in a package with software for which the price is not separately disclosed, the software is treated as part of the hardware and is then depreciated over five years.

Charitable Contributions

Partnerships, limited liability companies, and S corporations are entitled to make charitable contributions to qualified organizations throughout the year and, provided that the items have not been fully depreciated, pass the benefit of the deduction through to you to claim on your individual tax return. C corporations may also make charitable contributions and the deduction is then claimed in the C corporation's tax return.

Taxes

Sales, excise, fuel, employment, real estate, and state income taxes are generally deductible if incurred in operating your business.

Sales tax incurred on your business's purchases is not separated out from the purchase price, but rather is claimed together with the cost of the item. Please note that for purchases that are capitalized rather than expensed (such as a vehicle), the sales tax component is added to the cost base of the asset and depreciated.

Excise and fuel taxes are claimed separately in your tax return.

The employer's share of employment taxes is deductible to the business. However, as self-employment taxes are paid by individuals they must be claimed in the individual's personal tax return, and not as a business expense.

Real estate tax on property which is used for business purposes is deduct-

ible, however, if the assessment is for an improvement, the amount must be capitalized over a period of years rather than immediately expensed.

State income taxes may be deducted on your federal tax return as an itemized deduction (not as a business expense). Federal income taxes are never deductible.

Education Expenses

As long as education expenses are directly related to (i.e., required to maintain or improve necessary skills) your current employment or business, they are allowable as a deduction. Education undertaken to qualify you for a different job is not deductible.

Marketing & Promotion

General advertising and marketing of your business and/or goods and services is deductible. This would include

expenses such as yellow pages, business cards, etc. Promotional expenses may be deductible provided you can demonstrate a clear connection to your business.

For example, sponsoring a local sports team could be deductible so long as your business is recognized in some

way such as in the official name of the team, in the program, or printed or sewn on the team uniform.

Other Expenses

In addition to the expenses listed above and in last month's article, the following are some routine deductions that are often missed by business owners.

- audiotapes and videotapes related to business skills
- bank service charges
- business association dues
- business gifts
- business-related magazines and books
- casual labor and tips
- casualty and theft losses
- coffee and beverage services
- commissions
- consultant fees
- credit bureau fees
- office supplies
- online computer services related to business
- parking and meters
- petty cash funds
- postage
- seminars and trade shows
- taxi and bus fares
- telephone calls away from the business

These expenses can quickly add up to a large amount, however, if you have misplaced your receipt (or didn't receive one at the time of purchase) you may still claim deductions, so be sure to keep a good record of all of these small items.

As you collate your 2011 tax information over the coming weeks, be sure to keep a look out for all these types of expenses. Also, going forward into 2012, ensure you know the expenses that you will be able to claim deductions for when making buying decisions – especially for larger items which may be required to be capitalized rather than claimed in full in the first year.

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Are You In Need of a Qualified Tax Pro?



If you are not my client and would like to explore whether we might be a good fit, please contact me. As a qualified tax professional, I not only know all the rules, but can also help you deal with the IRS and help you decide how far to push a dispute.

**THIS YEAR,
RESOLVE TO
DO SOMETHING
DIFFERENT**



It's January again. Have you made your New Year's resolutions yet? Maybe this is the year to forget the boring, routine promises you know you won't keep, like going to the gym every day and calling your parents once a week. Try resolving to be more creative in 2012 with these resolutions:

- **KEEP A JOURNAL.** Spend a few minutes every day or so writing down your thoughts, feelings, dreams, and ambitions—not your daily schedule or upcoming appointments. Let your mind wander; free-associate a little. You may be surprised at the ideas you generate.
- **READ MORE.** Vary your reading habits and explore different topics. If you usually read novels, try a biography. If you read only history, try a book on modern-day science. You'll exercise your mind, and maybe find new connections between ideas.
- **LEARN SOMETHING NEW.** Take a class in something unrelated to your job or your usual hobbies—art, auto mechanics, philosophy, etc. Mastering new skills can refresh your outlook on life.
- **MEET NEW PEOPLE.** Make a positive effort to make new friends this year (or professional contacts). Look for gatherings of people whose interests match yours, and network. The more people you know, the better equipped you are to learn and grow.
- **CREATE SOMETHING FOR THE HECK OF IT.** Paint a picture, write a poem, or start a garden—not because you'll get paid for it, but because you want to. You'll find satisfaction in achieving personal goals and motivation to keep trying new things.
- **VOLUNTEER.** Find a cause you support, and offer your time and service. You'll meet new people and enjoy the feeling of helping out with an important cause.

What's Your Excuse?

Almost three out of 10 U.S. employees called in sick with a lie in 2011, according to a survey by CareerBuilder. But a simple "I'm sick" may be easier to take than some of these excuses given by employees (and passed on to CareerBuilder by their managers):



- One employee said that his 12-year-old daughter had stolen his car.
- Another employee reported that bats had gotten stuck in her hair.
- Among other animal-related excuses, a worker claimed that he'd been bitten by a deer. (To be fair, it happened during hunting season.)
- More animals: An employee reported injuring his back while chasing a beaver.
- One employee's brother-in-law was kidnapped by a Mexican drug cartel.
- And one employee complained of a splitting headache after hitting too many garage sales.

**Congratulations
to Aubrey
Friedman of H4H
Construction,
Inc. as
January's Client
of the Month.**

Aubrey has been a client of Trinity Tax & Financial Solutions Inc. for the past 6 years. His company is based in Forest Hills, NY and specializes in construction and remodeling of upscale residential kitchens and baths as well as retail stores and professional offices. To learn more or to schedule an appointment please contact Aubrey at: Aubrey at www.aubreyar.com or call (917) 407-6998.



DO YOU HAVE A TOUGH ACCOUNTING/TAX QUESTION YOU WANT ANSWERED?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business. If you have a question, tip or idea, please call me at (718) 261-2090 or email me at Sushil@bestcpasolutions.com. Perhaps I'll feature you in a future issue!



"Now I know why they call this form a 1040... it's 10 for me, and 40 for them!"

Brand Yourself For Ongoing Success

Brand names tell consumers about the products they buy. A personal brand tells other people about you: your strengths, goals, and commitment to success. The good news: You don't need to tattoo a logo across your forehead. But you do need to put some work into defining and establishing your brand so it reflects the image you want. Here's what to do:



- **Identify your established strengths.** Talk to your employees and your clients about what you're known for—the strengths they depend on, the tasks you're the “go-to” person for, and so on. Decide which of these to emphasize and focus on those areas and tasks.

- **Be authentic.** You can't fake your personal brand—not for long,

anyway. The key to making it work is being honest about who you are and what you can do. Don't pretend to enjoy helping customers when you'd rather be designing new products. You can't get out of unwanted work just because it doesn't fit your brand, naturally, but you can position yourself for assignments that match your

strengths by focusing on what you do best.

- **Adopt a unique style.** You want to stand out, so do something different. It can be as simple as wearing a bow tie instead of a standard necktie, or as challenging as developing a reputation for being able to tackle the toughest assignments. Just stay professional: Wearing a dirty T-shirt to the office every day won't send the right message, even if you think it demonstrates your “difference.”

Quotes of the Month

Do one thing every day that scares you.

—Eleanor Roosevelt

Twenty years from now you will be more disappointed by the things you didn't do than by the ones you did.

—Mark Twain

All my successes have been built on my failures.

—Benjamin Disraeli

A boss creates fear, a leader confidence. A boss fixes blame; a leader corrects mistakes. A boss knows all; a leader asks questions. A boss makes work drudgery; a leader makes it interesting.

—Russell H. Ewing



Trinity Tax & Financial Solutions, Inc.

Close **P**ersonal **A**ttention to increasing your profits.

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Member: Queens Chamber of Commerce

See What's Inside...

Business Deductions You Can't Afford To Forget Pt. 2

Business Question/Tip • What's Your Excuse?

Client Of The Month

This Year, Resolve To Do Something Different

Brand Yourself For Ongoing Success