



Tax Planning Today for Tomorrow's Operation

Terry Withrow, CPA



Return on Investment

ROI is used to evaluate the efficiency of an investment

- **Risk/ Return Tradeoff**

Low risk is associated with low potential return. High risk is associated with high potential return. Learn to balance risk and reward.

- **Taxes**

Consider the impact taxes on your investment.

Return on Assets

ROA indicates managements effectiveness in deploying capital.

- **Opportunity Cost**

The value of product not produced or activity not carried out.

- **Land Appreciated Value**

The total return is computed by adding cash income and asset appreciation.



What's new for 2011 Tax Year

2011 Self-employment Tax

- **Maximum limit on earnings subject to Social Security tax remains \$106,800**
- **Social Security part of the self-employment tax decreases from 12.4% to 10.4%**
- **S/E tax is reduced from 15.3% to 13.3%**

Section 179 expense

The maximum amount you can elect to deduct for most section 179 property you place in service in 2011 is:

- Federal \$500,000**
- California \$25,000**

This limit is reduced by the amount by which the cost of the property placed in service during the tax year exceeds \$2 million.

Special Depreciation Allowance

50% January 1, 2008 - September 8, 2010

100% September 9, 2010 – December 31, 2011

50% January 1, 2012 – December 31, 2012

Qualified Property for Special Depreciation Allowance

- **Acquired by purchase**

- **Acquired NEW**



Estate Tax 2011-2012

Estate Tax Details

- **Exemption \$5 million (\$10 million if married) Unused portion transferred to surviving spouse**
- **Tax rate 35%**

The gift tax and estate tax are unified into one tax. You can use part or all of the \$5 million/\$10 million during 2011 and 2012 as a gift; any unused amount is tax-free for estate tax purposes. This gift provision expires in December 31, 2012. In addition, annual gift of \$13,000.



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