



November/December
2011 Issue

A monthly publication of J. P. Kane & Co., LLC

News YOU Can USE

WE ARE ON THE MOVE

Yes, that is right. We made a strategic decision in an effort to better serve our clients. With this move, we will be easy to get to and we will have ample parking.

If all goes as planned, you will be able to visit us at our new location the first full week of December. Our new address will be 7303 Quality Circle, Anderson, IN 46013. You will still be able to reach us at 765.640.1211 and www.jpkanecpa.com.

Due to this move, we expect our office to be closed on December 1st and 2nd, then reopen on Monday, December 5th at our new location

So, where is 7303 Quality Circle It is in the Flagship office park, just off of Exit 22; from Martin Luther King Blvd., turn west on 73rd Street to the second street, which is Quality Circle. Ours is the first building on the right, and you will see our name on the east end of the building. **(Please take note of the attached map for directions; see page 5)**

THE IMPORTANCE OF UPDATING BENEFICIARY DESIGNATIONS

Most of us have more than enough to do. We're on the go from early in the morning until well into the evening—six or seven days a week. Thus, it's no surprise that we may let some important things slide. We know we need to get to them, but it seems like they can just as easily wait until tomorrow, the next day, or whenever. **(Continued on Page 2)**

WHICH IS BEST FOR YOUR BUSINESS: SECTION 179 OR 100% BONUS DEPRECIATION?

Taxpayers who acquire assets for use in their trade or business activity have a very good chance of writing off the entire cost, thanks to 100% bonus depreciation plus very generous Section 179 deduction limits. If there is a choice between them, this article will help determine which of these options is most beneficial. First, let's go over the basic rules for asset purchases.

(Continued on Page 3)

Disclaimer: Any tax advice contained in the body of this newsletter was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.



THE IMPORTANCE OF UPDATING BENEFICIARY DESIGNATIONS (Continued from Page 1)

A U.S. Supreme Court decision reminds us that sometimes “whenever” never gets here and the results can be tragic.

The case involved a \$400,000 employer-sponsored retirement account, owned by William, who had named his wife Liv as his beneficiary in 1974 shortly after they married. The couple divorced 20 years later. As part of the divorce decree, Liv waived her rights to benefits under William’s employer-sponsored retirement plans. However, William never got around to changing his beneficiary designation form with his employer.

When William died, Liv was still listed as his beneficiary. So, the plan paid the \$400,000 to Liv. William’s estate sued the plan, saying that because of Liv’s waiver in the divorce decree, the funds should have been paid to the estate. The Court disagreed, ruling that the plan documents (which called for the beneficiary to be designated and changed in a specific way) trumped the divorce decree. William’s designation of Liv as his beneficiary was done in the way the plan required; Liv’s waiver was not. Thus, the plan rightfully paid \$400,000 to Liv.

The tragic outcome of this case was largely controlled by its unique facts. If the facts had been slightly different (such as the plan allowing a beneficiary to be designated on a document other than the plan’s beneficiary form), the outcome could have been quite different and much less tragic. However, it still would have taken a lot of effort and expense to get there. This leads us to a couple of important points.

The first is that if you want to change the beneficiary for a life insurance policy, retirement plan, IRA, or other benefit, use the plan’s official beneficiary form rather than depending on an indirect method such as a will or divorce decree. The second point is that it’s important to keep your beneficiary designations up to date. Whether it is because of divorce or some other life-changing event, beneficiary designations made years ago can easily become outdated.

One final thought regarding beneficiary designations: while you’re verifying that all of your beneficiary designations are current, make sure you’ve also designated secondary beneficiaries where appropriate.

QUALIFIED DIVIDEND INCOME

You may have heard that qualified dividends are taxed at the favorable long-term capital gain rates (maximum 15% rate). While that’s great news for investors, there are a few exceptions you should watch out for before you assume all your dividend income will qualify for the reduced tax rate.

First, you must hold the stock for at least 61 days (91 days for certain preferred stock) during a certain time period around the dividend. While this is usually not a problem, some transactions (like selling the stock short or acquiring or selling options on the stock) may cause some of the days you own the stock not to count toward the required holding period. This required holding period also applies to shares in a mutual fund. In addition, if you are under an obligation to make related payments with respect to a dividend you receive, that dividend will not qualify for the preferential rate. This could be the case if you have both a long and short position in the dividend-paying stock.

WHICH IS BEST FOR YOUR BUSINESS: SECTION 179 OR 100% BONUS DEPRECIATION? (Continued from Page 1)

The Section 179 deduction limit is \$500,000. This limit is reduced dollar for dollar (but not below zero) by the cost of qualifying property over \$2 million. So, no Section 179 deduction is available if the total cost of qualifying property placed in service during the year is \$2.5 million or more.

The 100% bonus depreciation provision effectively allows taxpayers to write off the entire cost of qualified assets placed in service during the year. However, specific deduction limitations apply for qualifying vehicles.

If both bonus depreciation and the Section 179 deduction are available, the taxpayer will have to choose one or the other. If that is the case, the following are some considerations to keep in mind.

The use of 100% bonus depreciation is mandatory. However, a business can elect not to deduct bonus depreciation for any class of property placed in service during the tax year. This election applies to all additions within a class placed in service that year. On the other hand, the Section 179 election is much more flexible. Not only is it available on an asset-by-asset basis, but taxpayers can also elect to expense less than the full amount of an asset's basis. In addition, the Section 179 deduction can be used for both new and used equipment; 100% bonus depreciation only applies for new equipment.

There is no limit on the amount of 100% bonus depreciation a business can claim for the year, nor is there a taxable income limit. This means that by claiming bonus depreciation, the taxpayer can create or increase a net operating loss (NOL) that can be carried back and possibly used immediately. On the other hand, the Section 179 deduction is limited to \$500,000 (reduced dollar for dollar by qualifying asset purchases exceeding \$2 million). It is also limited to the taxpayer's net trade or business income for the year, with any excess generally carried over to the following year.

The Section 179 deduction claimed on qualified real property cannot be carried over past the 2011 tax year (unless this provision is extended). Disallowed deductions remaining at the end of the 2011 tax year are treated as if no Section 179 expensing election had been made for them. Amounts not carried over past the 2011 tax year are depreciated under the normal rules for real property.

To be eligible for the Section 179 deduction, the asset must be used more than 50% of the time for business. If the business usage later falls to 50% or less, the Section 179 deduction must be recaptured. Except in the case of listed property (e.g., passenger automobiles and computers), greater than 50% business usage is not a requirement for bonus depreciation. Therefore, bonus depreciation may be a better choice for an asset (other than listed property) currently used more than 50% for business if there's a chance that the business usage may later fall to 50% or less.

For taxpayers subject to alternative minimum tax, there is no adjustment for either bonus depreciation or Section 179 deductions. Consideration should also be given to the treatment by the state(s) where the business assets are located. Indiana, for example, currently does not recognize bonus depreciation, and only allows \$25,000 of Section 179 deduction. Most taxpayers maintain separate depreciation schedules for state tax return purposes. By using a combination of Section 179 and bonus depreciation, a business can minimize the impact on state taxable income.

ARE YOU PREPARED FOR THE NEW NLRB POSTER REQUIREMENTS?

Most employers in the private sector are required to display the updated workplace poster that describes employee rights by January 31, 2012. The poster (Notice) must be displayed in an area of the workplace where all employees have access and where other employment-related policies and rules are posted. If the employer posts the policies and rules online or on a server, then they must also provide employees a link to the NLRB Notice. **(Continued on page 4)**

ARE YOU PREPARED FOR THE NEW NLRB POSTER REQUIREMENTS? (Continued from page 3)

The updated poster is available at no charge from any NLRB office, or you can download it at www.nlr.gov/poster. This link also includes a link to Frequently Asked Questions, which address issues such as which employers are required to display the Notice, where the Notice should be posted, what the requirements are for employees who speak a language other than English, and what the consequences are for failing to post the Notice. If you have additional questions, please feel free to call our office.

QuickBooks® Corner QuickBooks® is a registered trademark and/or registered service mark of Intuit, Inc. In 2010, Intuit added Document Management as an optional subscription-based online feature in QuickBooks. The product has evolved, and the new 2012 QuickBooks version now includes a more robust (and free) local document management feature. If your paper filing system isn't that great, or you want to begin the process of storing less paper, this is an excellent reason to upgrade to the 2012 version. How does it work? Let's say you have a repair bill to pay. Instead of filing the paper copy of the bill in a folder somewhere, you can scan it as a PDF document, actually "attach" that PDF document to the QuickBooks bill entry, and throw the paper copy away. If you ever need to retrieve it again, it is as easy as going to the Vendor Center in QuickBooks and finding the vendor. You can also drag and drop documents from your Windows desktop to the QuickBooks folder. We do have a couple of warnings. These documents are stored locally on your hard drive or server. You need to be sure to have some type of backup system in place. If your computer crashes and cannot be revived, you do not want to lose all of your supporting documents! Also, these documents will be easily accessible by anyone who has access to the hard drive. Do not save documents with social security numbers or credit card information, unless you secure them with strong passwords.

If you would like to purchase the 2012 version at a 20% discount, simply visit our website (www.jpkanecpa.com) and click the "QuickBooks Resources" link in the Resources section at the bottom of our homepage.

DEDUCTING JOB SEARCH EXPENSES

In this economy, many individuals are looking for jobs and may incur some expenses along the way. While it may seem unfair, you can only deduct expenses to search for a job that's in the same occupation as the last one you had (or the one you still have if you're looking for a better position). If you pass this "same occupation test," you can potentially deduct the expenses (subject to the 2%-of-AGI miscellaneous itemized deduction limitation). You can also deduct expenses to look for a new job in the same occupation even if you're temporarily working in another field. And you can deduct expenses to look for full-time work in your existing occupation while you're working part-time or sporadically in the same line of work.

Some examples of deductible job-hunting expenses include employment agency or headhunter fees, travel costs, resume preparation, copying, postage, and long-distance calls (but only if you have to pay extra for them). If you drive in connection with your search, you can deduct the IRS business mileage allowance. But keep this in mind: transportation expenses to go out of town are only deductible if the primary reason for your trip is the job search. You can't deduct expenses that are reimbursed by a prospective employer or a future or past employer.

Our offices will be closed Monday, December 26 for Christmas and Monday, January 2, 2012 for New Years!

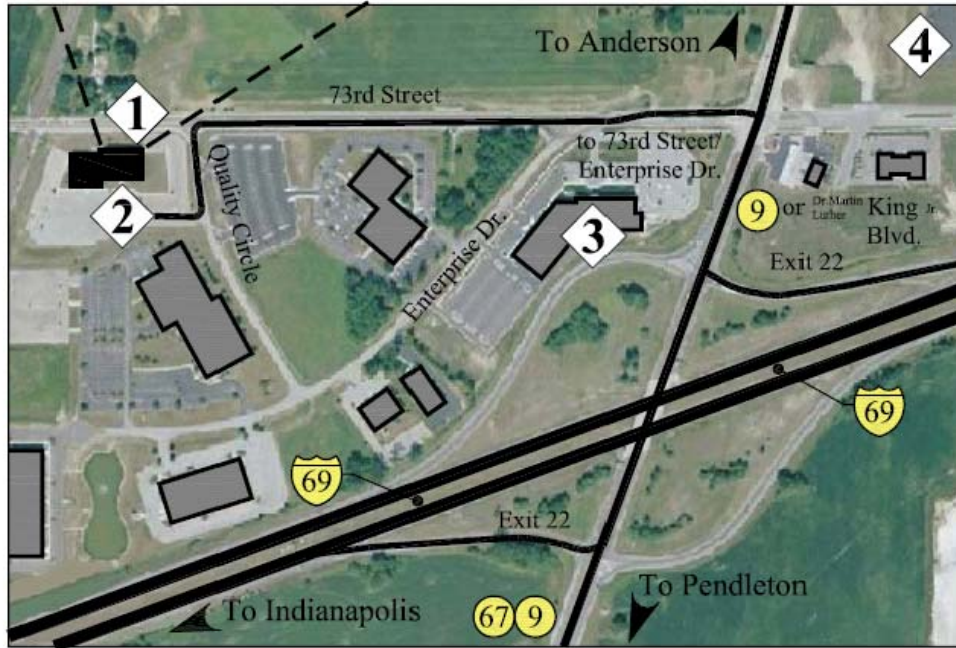
We always appreciate your comments on our work, these newsletters, the web site, or anything else concerning our services. Please email us at Shelly@jpkanecpa.com to let us know your feelings and comments.



Introducing the new office location for the
 Certified Public Accounting firms:
J.P. Kane & Co., LLC
 and
Winegardner & Associates

7303 Quality Circle

Anderson, IN 46013



- 1** *New location for:*
J.P. Kane & Co., LLC
 (765) 640-1211
 info@jpkane CPA.com
- 2** *Parking*
- 3** *Flagship Enterprise Center*
- 4** *Central Indiana Orthopedics Center*

Winegardner & Associates
 (765) 644-9248
 davidw@winegardnercpa.com



From Anderson:

- Head South on Martin Luther King Blvd/Highway 9 to The Flagship office park , 73rd Street/Enterprise Drive
- Turn right on 73rd Street/Enterprise Drive
- Keep in the right lane on 73rd Street
- Turn left on Quality Circle
- You will see our building on your right side, with the name J. P. Kane & Co., LLC on the building

From Muncie/Indianapolis:

- Take I-69 to Exit 22
- Turn north off on to Highway 9 (Martin Luther King Blvd) toward Anderson to the first stop light, which is The Flagship office park, 73rd Street/Enterprise Drive
- Turn left on 73rd Street/Enterprise Drive
- Keep in the right lane on 73rd Street
- Turn left on Quality Circle
- You will see our building on your right side, with the name J. P. Kane & Co., LLC on the building