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CPAs & Advisors

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ALERT: Action may be needed before year-end to lock in tax benefits which may expire

If Congress doesn't act before year-end to renew or extend a number of tax-saving provisions, your chance to benefit from them may be lost on Jan. 1, 2012**. If you haven't already spoken to your AGH professional about actions to consider before year-end, plan to do so now** – especially if any of these activities relate to your business:

- Business owners' personal property taxes are due on December 20, only days away. Since the K-64 property tax credit is due to expire at the end of 2011, we suggest that you **pay the entire personal property tax amount in 2011 to receive the maximum tax benefit on your income tax return – 25% of the tax paid.** If you choose the option to pay half the taxes in 2011 and half in 2012, you will not receive a tax credit for the taxes paid in 2012, even though they were originally owed in 2011.

- **If you're thinking about buying business equipment, or if you already bought it but haven't placed it into service, consider doing so before Dec. 31, 2011.** Two changes in the tax laws make it advantageous to consider accelerating possible purchases into 2011.

    - For businesses purchasing qualified equipment and property, the **Code Section 179 expensing limit is $500,000 for tax years beginning in 2010 and 2011**. The expensing limit phases out dollar-for-dollar for investments made during the tax year that exceed $2,000,000. For **tax years beginning in 2012, the expensing limit drops to $139,000** and the phase-out begins at $560,000 of investment. Section 179 expensing limits are scheduled to fall still further in 2013.

    - Bonus depreciation rules allow new, original-use, qualifying equipment **purchased and placed into service after Sept. 8, 2010, and before Jan. 1, 2012, to be written off 100% in the year it is placed in service.** The ability to expense 100% of the cost in one year instead of depreciating it over an often much longer period provides faster tax benefits and better cash flow. **Equipment placed in service after Dec. 31, 2011, and before Jan. 1, 2013,** will also be eligible for accelerated bonus depreciation, but the **percentage of cost which can be expensed in one year drops from 100% to 50%.**

Many other changes scheduled to occur as of Jan. 1, 2012, include payroll tax rates (the 2011 2% payroll tax holiday expires) and the expiration of the Work Opportunity Tax Credit, except for employers which hire qualified veterans. Please contact your AGH tax professional for more information about this alert or call AGH senior vice president of tax services Shawn Sullivan at (316) 291-4110 or email shawn.sullivan@aghlc.com.