The Bankler Report

November 23, 2011

INTRODUCTION

Individuals and businesses should consider year-end tax planning in order to minimize the overall effects of taxes.

100% Bonus Depreciation of NEW Assets expires 12/31/11!

Generally, NEW tangible personal property (furniture, fixtures, equipment, and certain vehicles (SUVs, trucks, and vans with gross vehicle weight over 6,000 pounds)) that has a depreciation (recovery) period of 20 years or less.

Generally, real estate is NOT eligible for this provision, except for certain "qualifying leasehold improvement" property.

Beginning 1/1/12, NEW property acquired by 12/31/12 will be eligible for only 50% Bonus Depreciation. For more information, see *The Bankler Report* of March 3, 2011.

100% Expensing of Assets (New & Used) will be Greatly Reduced!

Thru 12/31/11 taxpayers can elect to expense (called §179 property) $500,000 of NEW or USED tangible personal property acquired and placed into service. Beginning 1/1/12, this amount is reduced to $125,000 (indexed for inflation).

100% Expensing of certain Real Property Improvements will also EXPIRE!

Usually improvements to real estate are not considered property eligible (§179) for the 100% expensing election. Thru 12/31/11 taxpayers can elect to expense $250,000 of qualified improvements (which includes qualified leasehold improvements, qualified restaurant property, and qualified retail improvement property). Beginning 1/1/12, these improvements revert back to being depreciated using the straight-line method over 39 years.

Accelerate deductions into 2011.

The "super committee" in Congress dealing with deficit reduction has floated several tax proposals. Most include "capping" deductions. These caps could be a limit of deductions or a limit on the tax bracket that could be offset with the deductions. (For example, income could be taxed at 35%, but deductions could be limited to the 25% deduction bracket.) Consider paying some 2012 deductible items (property taxes), charity (setting up a simple Charitable Advised Trust that **YOU** control distributions), etc. by 12/31/11!

Gift/Estate Tax Planning.

This year's annual gift tax exclusion is $13,000. A married couple can give $26,000 per donee to children/grandchildren, which generally will be excluded for gift taxes and will also be excluded from your estate. For larger estates, consider making "taxable" gifts and utilizing the current $5,000,000 exemption, as this is set to expire 12/31/12, although the "super committee" might recommend having it expire sooner!

Steven Bankler, CPA 9901 IH 10 W, Suite 670 San Antonio TX 78230 (210) 691-3133
steven@bankler.com www.bankler.com Fax (210) 691-3233