

# Mierendorf Monitor

West Michigan Tax News and Tips for December 2011

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## MICHIGAN TAX CHANGES

There are several changes in the Michigan tax law that will affect Michigan taxpayers beginning in 2012. Most notable is the phase-out of certain pension and retirement income subtractions. As you may know, taxpayers born before 1946 will experience no changes in the basic application of the law. Married taxpayers filing jointly can subtract all public pension

payments, and private pensions up to \$91,684. Recipients born from 1946 through 1952 will be able to deduct up to \$40,000 of pension benefits on a joint return. Recipients born after 1952 will have no pension deduction. If filing jointly, the age of the oldest spouse determines the age category.

You may receive Form MI W-4P from your pension or annuity provider. This

form enables the provider to withhold Michigan tax at the appropriate rate. Simply check the box that applies to you, and return the form to the plan administrator.

If you have any concerns please call us today. Our experienced and professional Certified Public Accountants will answer all of your questions. We are here to help! 616-784-4445 or [cpas@miercpa.com](mailto:cpas@miercpa.com)

## Mierendorf News & Tips

### Roth Conversions

If you converted an IRA to a Roth IRA in 2010 and elected to defer the income to 2011 and 2012, don't forget to include that extra income in your yearend tax planning. If you made a Roth conversion in 2011 and your Roth account has declined in value, you may want to consider a "Roth reconversion" to avoid paying tax on the higher value. If you have not made a Roth conversion, you may want to consider if this might be part of your plan. Call us for assistance in making this decision.

### Capital Gains

If you have experienced losses in your investment account this year, you might consider selling some profitable investments to utilize the losses to offset the gains.

The 15% capital gains rate is scheduled to expire at the end of 2012, so you may want to structure some purchases and sales in the next twelve months to take advantage of these lower rates.

### Payroll Taxes

Congress has recently defeated a proposal to maintain the Social Security withholding tax cut that employees enjoyed in 2011.

Be prepared for a return to the 6.2% Social Security rate with your first paycheck in January.



## HOME ENERGY CREDITS STILL AVAILABLE FOR 2011

The IRS reminds homeowners that they still have time this year to make energy-saving and green-energy home improvements and qualify for either of two home energy credits.

The Nonbusiness Energy Property Credit is aimed at homeowners installing energy efficient improvements such as insulation, new windows and furnaces. The credit is more limited than in the past years, but can still provide substantial tax savings.

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*“The IRS reminds homeowners that they still have time this year to make energy-saving and green-energy home improvements and qualify for either of two home energy credits.”*

- The 2011 credit rate is 10 percent of the cost of qualified energy efficiency improvements. Energy efficiency improvements include adding insulation, energy-efficient exterior windows and doors and certain roofs. The cost of installing these items does not count.
- The credit can also be claimed for the cost of residential energy property, including labor costs for installation. Residential energy property includes certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass fuel.
- The credit has a lifetime limit of \$500, of which only \$200 may be used for windows. If the total of nonbusiness energy property credits taken in prior years since 2005 is more than \$500, the credit may not be claimed in 2011.
- Qualifying improvements must be placed into service to the taxpayer’s principal residence located in the United States before January 1, 2012. Homeowners going green should also check out the Residential Energy Efficient Property Credit, designed to spur investment in alternative energy equipment.
- The credit equals 30 percent of what a homeowner spends on qualifying property such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines, and fuel cell property.
- No cap exists on the amount of credit available except for fuel cell property.
- Generally, labor costs are included when figuring this credit.

Not all energy-efficient improvements qualify for these tax credits, so homeowners should check the manufacturer’s tax credit certification statement before they purchase. Taxpayers can normally rely on this certification statement which can usually be found on the manufacturer’s website or with the product packaging.

Eligible homeowners can claim both of these credits on Form 5695, Residential Energy Credits when they file their 2011 federal income tax return. Because these are credits and not deductions, they reduce the amount of tax owed dollar for dollar. An eligible taxpayer can claim these credits regardless of whether he or she itemizes deductions on Schedule A.

Mierendorf and Co. P.C is a certified public accounting (CPA) and small business advisory firm serving the Grand Rapids and greater West Michigan areas. Call us today if you have questions about Home Energy Credits. 616-784-4445.



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Certain deductions are scheduled to expire after December 31, 2011.

You may want to consider accelerating payments into 2011 if you qualify for the following deductions:

1. The state and local sales tax deduction
2. The higher education tuition deduction (not the education credits, however)
3. The teacher's classroom expense deduction

If you have questions concerning Tax Extenders then contact us today.

Do not wait until it is too late! 616-784-4445 or [cpas@miercpa.com](mailto:cpas@miercpa.com)

**CHARITABLE IRA DISTRIBUTION/ROLLOVER**

Taxpayers age 70½ or older are eligible to transfer up to \$100,000 (\$200,000 for a couple filing jointly) tax-free directly from an IRA to an eligible charity. This rollover may be used to satisfy your 2011 required minimum distribution, and can provide a tax advantage if:

1. The taxpayer would exceed the 50% of income limitation for his annual charitable contributions if the donation were made personally.
2. The taxpayer would have adverse tax consequences from taxing an IRA distribution and making the contribution, such as increased taxes on Social Security benefits or decreased deductions and exemptions.

The charitable IRA rollover is also a good estate planning opportunity: remember that funds remaining in taxable IRA accounts upon death will cause beneficiaries to pay income tax on the distributions they receive.

**ANNOUNCING INPAYROLL, LLC**

We are excited to officially launch Inpayroll, LLC on January 1, 2012. As an experienced payroll provider, our commitment has always been to offer our clients the high-quality services they need to manage their payrolls. With our professional and relational payroll service, you will receive all the capabilities and services provided by the national payroll companies, but with the added benefit of prompt, personal service whenever you need it. If you have a household employee, talk to us about how we can help you. 616-784-4445 or email us at [cpas@miercpa.com](mailto:cpas@miercpa.com)

*We would be honored to be a part of your social network*

