

Mierendorf Monitor

West Michigan Tax News and Tips for February 2012

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Vehicle Deductions for Your Small Business

If you use your car for business, or your business owns its own vehicle, you can deduct some of the costs of keeping it on the road. Mastering the rules of car expense deductions can be tricky, but well worth your while.

There are two methods of claiming expenses:

Actual expense method

You keep track of and deduct all of your actual business-related expenses.

Standard mileage rate method

You deduct a certain amount (the standard mileage rate) for each mile driven, plus all

business-related tolls and parking fees. In 2012, the standard mileage rate is 55.5 cents per business mile driven, the same rate that was in effect for the second half of 2011.

As a rule, if you use a newer car primarily for business, the actual expense method provides a larger deduction at tax time. If you use the actual expense method, you can also deduct depreciation on the vehicle. To qualify for the standard mileage rate, you must use it the first year you use a car for your business activity. Moreover, you can't use the standard mileage rate if you have

claimed accelerated depreciation deductions in prior years, or have taken a Section 179 deduction for the vehicle. (For more on Section 179, see "New Equipment," below.)

If your auto is used for both business and pleasure, only the business portion produces a tax deduction. That means you must keep track of how often you use the vehicle for business and add it all up at the end of the year. Certainly, if you own just one car or truck, no IRS auditor will let you get away with claiming that 100% of its use is related to your business.

Mierendorf News & Tips

Declaring bankruptcy for your business

Bankruptcy is never an easy thing for a business owner, but sometimes necessary. Generally, when a debt owed to another is canceled the amount canceled or forgiven is considered income and taxed to the person owing the debt. If a debt is canceled under a bankruptcy proceeding, the amount canceled is not income. However, the canceled debt reduces the amount of other tax benefits the debtor would otherwise be entitled to. If you are in this business

situation call us today to help protect your best interests. 616-784-4445

Accounting software for your business

QuickBooks® and PeachTree® are two popular accounting programs for small businesses. These programs save businesses money and are invaluable to many small business owners. Contact us today to provide information on how to install, train, and provide staff support with these popular software applications. See how the correct accounting program can help you!

Succession planning

The process of transferring ownership of a business within a family is a difficult process, especially for small business owners unsure of the value of their business. At Mierendorf and Co., our experienced team will work closely with you to understand your objectives, provide an accurate valuation of your business, and determine the best option to transfer ownership. Contact us today and let us help you devise a plan to prepare for the future. 616-784-4445 or cpas@miercpa.com



Does my Small Business Need a Payroll Service?

A full-service payroll agency can offer small businesses many solutions including payroll processing, reporting, garnishments and tax levies, and more. They can provide business owners the convenience, flexibility, and choice to make managing your payroll easier and faster. That means spending more time running your business. Businesses of all sizes are recognizing the value of hiring a professional payroll service agency. There are five key reasons for this decision:

1. **Cost-** For most small businesses it makes sense to outsource their payroll management. The amount paid to a professional agency vastly outweighs the costs including employees working payroll, printing costs, check distribution, and bookkeeping. It also saves owners money on ordering accounting software, training staff, personnel turnover, and continued education on updated software products.
2. **Increased Production-** Typically, a professional service can complete payroll administration more quickly due to training, expertise, staffing, and the most up-to-date software. Subcontracting your payroll services can untie in-house personnel to help with other areas of business development. In short, it leaves staff open to concentrate on more important aspects of your business.
3. **Accountability and Asset Protection-** Business payroll includes extensive knowledge of Internal Revenue Service rules and regulations. There is little room for error without penalties or fines. Transferring payroll services to an external professional accounting firm will ensure asset protection for you and your business. Professional payroll service providers will make sure all your tax paperwork is completed and filed on time. And most provide a guarantee of it.
4. **Legal Compliance-** Payroll specialists have a widespread comprehension of an ever changing legislation landscape, as well as tax compliance regulations associated with business payroll duties. Payroll specialists often network with other business professionals like tax attorneys, financial planners, and banking officials to have the most current tax information on hand. This is advantageous when doing business with other states or internationally.
5. **Exceptional Service-** Professional payroll service providers have abundant resources available to them to provide business owners with the best service possible. Their staff is specifically trained and educated on tax rules, regulations, and compliance issues. Reputable firms enforce and supervise continued education through training, seminars, workshops, and accredited vocational facilities for their staff.

"If you are a small business owner it can make sense to hire a professional payroll service to help your business be as successful as possible."



Without the most efficient tax team working for you, payroll administration can make a business sluggish. If you are a small business owner it can make sense to hire a professional payroll service to help your business be as successful as possible. Avoiding costly mistakes and untimely filing will eliminate payroll penalties, the number one source of IRS assessments. For more information on payroll services provided by Mierendorf & Co. please feel free to contact us today.

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Plug-In Cars Generate Tax Deductions

An income tax credit is available for the purchase of a new qualified plug-in electric car. The credit is \$2,500 plus \$417 for each additional kilowatt hour of rechargeable battery power above four hours. The maximum additional credit is \$5,000, for a total of \$7,500. Examples of vehicles that qualify for the credit are the Nissan Leaf, and the Chevy Volt. You can visit the IRS website at tinyurl.com/4yg77q5 for a listing of qualifying vehicles and credit amounts. The credit begins to phase out when the manufacturer sells 200,000 vehicles in the United States.

The credit is available for each taxpayer that originally places the vehicle in service. For business taxpayers, the credit can be used to offset taxes, and any unused amount can be carried forward under the business credit carry forward rules. For individual taxpayers, the credit is non-refundable and limited to the tax liability for the current year.

In addition to the Federal tax credit, DTE Energy offers discounted rates to customers for electricity used to charge electric vehicles during off-peak hours. The rate requires the installation of a separate meter (D1.9) and a Level 2 electric vehicle charger. DTE also provides a \$2,500 rebate for customers who purchase a plug-in vehicle and enroll in the D1.9 rate program. This rebate is available for the first 2,500 customers who complete the application process prior to December 31, 2012.



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



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