

Mierendorf Monitor

West Michigan Tax News and Tips for January 2012

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CHOOSING A COST BASIS METHOD

Brokers and mutual fund companies are required to track a customer's cost basis, holding period, and sale proceeds of securities acquired after certain effective dates, and report them on Form 1099-B. This new requirement applies only to taxable accounts. Investments in stocks purchased after January 1, 2011 meet this requirement. Shares in mutual funds and dividend reinvestment plans must

begin this reporting for shares purchased after January 1, 2012.

Investors need to choose the method by which the mutual fund company and/or broker will report the cost. The average cost method seems to be the default method for most companies, is the easiest to implement, and requires the least amount of involvement by the investor. Other methods

are first in, first out (FIFO); last in, first out (LIFO); and specific identification. The specific identification method offers the most flexibility, but requires the most work on the part of the investor to monitor the accounts.

If you would like more information on cost basis methods please give us a call. 616-784-4445 or email cpas@miercpa.com

Mierendorf News & Tips

Mileage

IRS ANNOUNCES STANDARD MILEAGE RATES FOR 2012

Beginning January 1, 2012, the standard mileage rates for the use of vehicles will be:

- 55.5 cents per mile for business miles driven
- 23 cents per mile for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Reported Earnings of the self-employed

As with so many decisions in life, the amount of taxable income reported by self-employed taxpayers has consequences beyond the potential tax on your tax return. Keep in mind that social security benefits for taxpayers and their dependents are based upon reported earnings, and this includes self-employment income as well as wages earned from an employer.

Officer Liability

Most of us are aware that corporate officers can be assessed a penalty by the IRS which is equivalent to the withheld portion of employee taxes that are not remitted to the IRS. The State of Michigan has recently prevailed in a case involving unpaid sales and use taxes. The officer of the company was held personally liable for these taxes. The State has also stated that officers are personally liable for unpaid penalties and interest associated with unpaid sales, use, and withholding taxes.





FAMILY BUSINESS TRANSITION PLANNING

Family relationships and value can make succession planning for family businesses more challenging than for other companies. Here are some suggestions to make the planning and execution less trying.

“Family relationships and value can make succession planning for family businesses more challenging than for other companies.”

1. Obtain a valuation of the business regardless of whether it will be transferred between generations or sold. The valuation will establish a reference point for negotiation with potential buyers and validates (or corrects) family members' perceptions of value and becomes the basis for wealth transfer planning.
2. Maximize the company's value by making sure financial accounting systems are in good order, family expenses are not run through the business, there are no unusual accounting practices, and an independent CPA prepares year end statements. Other indications of sale readiness include expanding sales growth, diversification of the customer base, a stable pool of employees and an absence of pending regulatory actions.
3. Identify prospects. Outside advisers are usually necessary. An adviser can provide market perspective, and may be able to help develop alternative sale options that meet the seller's long-term objectives.
4. Negotiate the structure of the sale. Once you have agreed upon a price, there are many options as to the payment structure and purchase allocation. Your CPA is a good source of advice at this, as well as every other stage in the process.
5. Set goals that reflect the family's core values and legacy. Determine which, if any, family members will remain as active participants in the business or as passive investors. This will lead to the creation of exit strategies and the creation of personal financial plans for family members.
6. Prepare the business for change. Much can happen between initial negotiations and closing the deal. Engage the nonfamily management team in the planning, and give them an incentive to stay loyal to the company and the family.
7. Designate a leader to oversee business management during this phase.
8. Plan whether the responsibilities of the current management team will continue, or if a change is needed.
9. Communicate the plan to all involved (observing necessary confidentiality.) This includes family members, management and employees, customers, key vendors and banks. You may find value in discussing your plan with other business owners who have gone through a transition.



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Executive presence is how you use your personal style to empower and connect with others. You know people who have it—they walk into a room and can immediately command attention because of their posture, speech and steady eye contact.

Here are twelve steps to help you develop your own executive presence:

1. **Speak up.** Be a regular contributor in meetings and conversations. Think ahead about some points you would like to discuss.
2. **State your beliefs.** Express your ideas even if others don't agree. State what is correct, not what you think others want to hear.
3. **Use strong words.** Avoid tentative phrases such as "I think" or "I guess." Substitute language such as "the facts are as follows."
4. **Passion.** Speak with energy, passion, conviction, and commitment. If you don't believe in what you are saying, no one else will.
5. **Take credit.** Self promotion is not bragging. Give credit where credit is due, but don't leave out your contribution to the project's success.
6. **Pause.** Give people a chance to process what you've said before moving on. Don't feel a need to fill the silence.
7. **Ask challenging questions.** Show that you want to get as much information as possible to accurately understand issues in order to make informed business decisions.
8. **Delegate.** It is important to help people, but that doesn't mean doing their work. Ask them to put something together and then review their suggestions.
9. **Manage the message.** Don't be tempted to provide too much detail. Get to the point quickly: what do your colleagues need to know or do to move forward.
10. **Direct delivery.** State your main point first before delivering details.
11. **Stand tall.** Positive body language draws positive attention. When speaking to a group, use your space purposefully by standing still when making a significant point, and projecting to the back of the room.
12. **Have heart.** Be polite and use tact when questioning or challenging the opinions of others. It will help you create an atmosphere of trust and open dialogue.

By implementing these steps, you can begin to create your own style so that others see you as a self-confident and sincere leader.

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.

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

