



On The Inside

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Tax Breaks for the Self-Employed and Small Business Owners

Excerpted from www.speadtax.com December Newsletter

The following is a compilation of a number of tax breaks available to self-employed individuals and/or small business owners. Some can be implemented before year's end, providing benefits for your 2011 return, while others will provide planning opportunities for 2012.

- **Little or No Profit This Year** - The farm and nonfarm optional methods for computing net earnings from self-employment are modified so that electing taxpayers may pay more in optional self-employment taxes and thus become eligible for Social Security benefits.
- **The Work Opportunity Tax Credit** - The work opportunity tax credit allows employers tax credits (as much as \$4,800) for hiring individuals from targeted groups (such as recipients of public assistance and qualified veterans).
- **Elect to Deduct Start-Up Costs** - Taxpayers can elect to deduct up to \$5,000 of start-up and \$5,000 of organizational expenses in the first year of a business. Each of the \$5,000 amounts is reduced by the amount by which the total start-up expense or organizational expense exceeds \$50,000. Expenses not deductible in the first year of the business must be amortized over 15 years.
- **Deduct a Home Office** - If you work from an office in your home, perform management or administrative tasks from a home office, or store product samples or inventory at home, you may be entitled to deduct an allocable portion of certain costs of maintaining your home. This would include allocated maintenance, utilities, etc.
- **Business Travel Break** - If you maintain your office in your home and it is your principal place of business, you may be entitled to a special tax break on your commuting costs.
- **Establish an Employee Pension Plan** - Establishing a pension plan for your employees can help you retain better employees. If you start a pension plan, you can take a credit of up to \$500 a year for each of the first three years of the plan. The credit is for 50% of certain start-up costs incurred in each of those years.

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Here We Grow Again...

News, Events, and Happenings

News

Finding Your Flow – Workshop: December 9, 2011

The school is hosting a four hour workshop with Dr. Bruce Jackson on Friday, December 9, 2011. Participants in the workshop will begin to develop the self-awareness necessary to recognize the key factors most important to them as they pursue future knowledge, skills, and strategies designed to advance their personal and professional effectiveness!

This Workshop will be produced for distribution to students who are interested. More information will be coming soon about how to purchase your copy of this motivational workshop.

Tuition Changes Coming

Washington Institute has maintained tuition rates for our graduate programs of less than \$10,000 since we began; a remarkable accomplishment in an environment where other institutions have levied higher and higher tuition rates almost yearly. However, due to rising costs associated with new program enhancements (see "Big Goals for Washington Institute" below) designed to better meet the needs of our students, the school will be raising tuition on both degree programs effective shortly after the New Year. If you would like more information on how to take advantage of existing tuition rates (for a limited time), please contact Student Services at: studentservices@wsltax.org.

Big Goals for Washington Institute in 2012!

Washington Institute for Graduate Studies is looking forward to the New Year! In the spirit of setting "resolutions", Washington Institute would like to share with you some of our plans for 2012!

- The introduction of a new "Learning Management System" (LMS)
- Increased direct support for students in the program
- The migration of courses to online streaming
- The addition of more high-demand tax courses
- The roll-out of the enhanced, low-cost continuing education feature (CPE/CLE)
- An enhanced and expanded degree program
- The introduction of a world-class graduate certificate program
- More resources dedicated to the aggressive pursuit of accreditation.

These are only a few of the plans and goals we have made for ourselves at the school for a very exciting 2012!

Maximize Your Charitable Deductions

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www.speadtax.com

As the end of the year approaches, there are still things you can do to increase and properly document your charitable contributions for 2011. Here is a brief rundown:

Non-cash Contributions – If you have used clothing or household goods that are in good or better condition that you don't use any longer, contribute them to a charity thrift shop before the end of the year. Don't forget: a receipt from the charity is required to document the gift. If the gift's fair market value (FMV) is more than \$500, you will also need an itemized list of the items contributed, how and when each was acquired, and the cost. If the FMV of what you've donated is greater than \$5,000, or you contributed a vehicle, more information regarding additional documentation requirements will apply. A receipt from the charity is not required if the gift's value is less than \$250 and the donation was made at an unattended drop site. However, you will need to document the donation yourself.

Cash Donations – All cash donations must be documented either by a receipt from the charity or by a bank record such as a check, bank statement, or credit card payment. You can no longer claim contributions of cash dropped into the offering plate or Christmas kettle. So, be wise and drop a check instead. If you regularly tithe at a house of worship, you might consider pre-paying your 2012 tithing and moving the deduction into 2011. In doing so, some taxpayers that marginally itemize may be able to itemize every other year and take the standard deduction in alternate years.

Charity Volunteer Expenses – If you volunteer your time for a charity, you may qualify for some tax breaks. Although no tax deduction is allowed for the value of services performed for a charity, there are deductions permitted for out-of-pocket costs incurred while performing the services. Possible expenses might include:

- Away-from-home travel expenses while performing services for a charity, plus lodging and meals at 100 percent, provided there is no significant element of personal pleasure associated with the trip.
- Use of your personal vehicle while performing services for the charity, generally at 14 cents per mile. Be sure to keep a written record of the name of the charity, the date the vehicle was used for charitable purposes, and the number of miles driven.

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- **Deduct Vehicle Interest, Tax and License** - Normally if you purchase a vehicle, the interest on the loan is treated as nondeductible consumer interest. However, if the vehicle is used partially for business (other than as an employee), then the business portion of the interest can be deducted on your business schedule. The business portions of the personal property tax and license fee can also be deducted on your business schedule. The business portion of the sales tax is added to your vehicle's basis and depreciated if the actual expense method is used.
- **Deduct Health Insurance** - A self-employed individual may deduct the amount paid during the tax year for medical insurance for himself, his spouse, his dependents, and even his children who are under age of 27 even if they are not dependents. There is no limit on the amount that may be deducted, except that the deduction cannot exceed net self-employment income. For this deduction, health insurance includes medical, dental, vision, and long-term care premiums. The medical care insurance isn't limited by the normal 7.5%-of-AGI floor on itemized medical expenses, and it isn't a business schedule deduction. Instead, it's an above-the-line deduction on page 1 of Form 1040.
- **Business Education Expense Options** - Self-employed taxpayers can treat business education expenses for themselves either as a deduction on the business schedule or as an education tax credit. If the deduction option is chosen, it reduces both self-employment tax liability and income tax liability. How much is saved depends upon your tax bracket.
- **Employ Your Child** - You can turn some of your high-taxed income into tax-free or low-taxed income by shifting some of your business earnings to a child as wages for services performed by him or her. For your business to deduct the wages as a business expense the work done by the child must be legitimate and the child's salary must be reasonable.
- **Trade-in versus Sale** - If you are purchasing a new vehicle or other equipment, you should carefully consider whether to trade in the old asset or sell it in an unrelated transaction. The reason? If the disposition of the old vehicle or equipment would result in a tax loss, you might want to sell it separately. However, if the disposition would result in a tax gain, you would want to trade it in to avoid the gain and instead have it reduce the basis of the replacement asset.
- **Avoid Underpayment Penalties** - Taxpayers are expected to pay their taxes during the year through the payment of estimated taxes and/or withholding. If you have not paid enough and do not meet one of the exceptions, you could be subject to an underpayment penalty along with an unpleasant tax bill when the tax return is filed. Year-end increased estimates and withholding can mitigate those penalties.
- **Borrow to Pay Deductible Expenses before Year's End** - If 2011 was a better than normal year for income, you might consider using a credit card to pay expenses that can generate deductions for this year
- **Contribute to Your Retirement Plan** - A variety of retirement plans are available to the small business owner or self-employed taxpayer. Some plans must be set up before year's end. □

Spotlight...

Washington Institute for Graduate Studies' spotlights some of our amazing students, staff members or faculty. It's a great way to get to know the people who make this institution the success that it is.

Hon. Judge Jamie Roman – Alumnus

People often describe themselves in terms that can ultimately be a bit vague. When asked, the Honorable Judge Jaime Roman says he is "motivated and intellectually curious". That may be a bit of an understatement.

"By the seventh grade I knew I wanted to be a lawyer. In the mind of a 13-year old boy, issues of unfairness caused me to want to do something to make things fair. When adults would argue, and someone would cite the law, it seemed to end the argument. Admittedly, I was a boy, but as time progressed, I found that I enjoyed reasoned argument, the research that supported argument, and the interplay in debate, impromptu speech, and the breadth of the law."

A lawyer he became... and then some.

A lengthy educational pedigree including a BA from St. Mary's College, a JD from Hastings College of the Law, and a Master of Laws (LLM) from Boston University in International Banking Law only begins to reflect the breadth of his pursuit. Immediately after earning his LLM from B.U. he also earned an LLM from Washington Institute for Graduate Studies, "an education that broadened my financial studies and, at the same time, provided me with a particular understanding of the Internal Revenue Code that expanded my legal fund of knowledge." He also went on to earn a Master in Strategic Science from the Army War College and attended multiple Army schools as a military police lieutenant and, later, as a member of the Judge Advocate General's Corps. He had hoped to combine his finance studies with tax to eventually "work in the Business and Tax Section of the Attorney General's office or, at least the Licensing Section."

Although not currently practicing tax law (he's a superior court judge in Sacramento, California assigned to family law), Judge Roman says that if he wasn't involved with the law, he would be a soldier. "I had a great career as an Army reservist with periodic tours of active duty that involved traveling to various states and foreign nations. The work was meaningful and the camaraderie was supportive but very focused on the mission." Although originally commissioned as a military police officer in 1979, Judge Roman eventually became a Judge Advocate and retired from the Army reserve in 2007 at the rank of colonel.

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- Upkeep and cost of uniforms that aren't suitable for everyday use and if worn while performing the charitable service. No charitable deduction is allowed unless the contribution is substantiated with a written acknowledgment from the charitable organization. The documentation must specify the need for your services and include an acknowledgement by the charity that the expenses claimed were required; be sure to maintain the receipts for the expenses.

Vehicle Donations – Generally, the deduction for used cars, boats, planes, etc. is limited to \$500. More than \$500 can be claimed based upon the charity's use of the vehicle or the actual amount the charity received from the sale of the vehicle. You will need Form 1098-C from the organization to claim the deduction and attach it to your return. Call for further details related to claiming more than \$500.

Timing of Acknowledgments – Whenever you are required to have an acknowledgment from a charity for donations you've made, you must have that letter or statement in your hands by the earlier of the date you file the return for the year of the donation or the extended due date of that return. □

Over Taxed...

When the Only Thing Left to do is Laugh



"Okay, Frosty. It's March. Time to talk estate planning..."

Where do snowmen keep their money?

– In a snow BANK!

What did Jack Frost say to Frosty the Snowman?

– Have an *ice* day!

Happy Birthday!

December

John Przybysz	2	Karim Walji	21
Capitrola Gaillard	3	Tallat Sohail	21
Marc Paquette	4	Rhea Joyner	21
Charles McQuaid	5	Anglea Navarrete	22
Marshall Campbell	5	Lila Perry	23
Anthony Obrzut	7	Matthew George	23
Manuel Baltodano	8	Stuart Lang	23
Gus Gellepes	13	Paul Murray	25
Julie Burns	13	James Reddick	25
James Wright, Jr.	14	Marcos Timana	26
William Varley	14	Peter Mok	26
Christine Reynolds	14	Giuseppina Savaglio	27
Noel Willis	15	Lawson Giles	28
Ward Jackson	16	Enrique Enriquez	28
Larry Rittberg	18	Sandra Newland	29
Ari Demiral	18	William Hazelrigg III	30

Spotlight: Judge Jamie Roman...continued from page 3

With the exception of his time in Boston, and various tours of active duty, Judge Roman has lived all his life in California. Sacramento County to be exact, and enjoys cruising in his boat along the waterways of the San Joaquin Delta with his wife of 27 years. (She's also an accomplished academican having recently earned her PhD in Psychology!). They have 4 children, and plan to enjoy the rest of a nice, long, happy life. Specifically, they're looking forward to someday seeing the weddings of their grandchildren.

Washington Institute for Graduate Studies is proud to have been a part of legacies of our exceptional alumni and we wish to express our gratitude once again to all students, faculty, alumni, and staff. We offer our best wishes to you all for a beautiful Holiday season, and a Happy New Year!

Important Dates to Remember 2012

Washington Institute for Graduate Studies will be closed for the following 2012 holidays:

January

New Year's Day (*observed*) January 2, 2012
Martin Luther King Day January 16, 2012

February

President's Day February 20, 2012

April

Easter (*observed*) April 9, 2012

May

Memorial Day May 28, 2012

July

Independence Day July 4, 2012
Administrative Closure July 24, 2012

September

Labor Day September 3, 2012

November

Thanksgiving November 22 & 23, 2012

December

Christmas December 24 & 25, 2012



Washington Institute for Graduate Studies Mission Statement

Designed for attorneys, certified public accountants and financial advisors working in the field of taxation, and Enrolled Agents before the IRS, our mission is to provide a quality distance learning experience that is relevant, convenient and affordable.