

JOSEPH B. MIHALOV, CPA, P.C.
Certified Valuation Analyst

P.O. Box 1099
Valparaiso, IN 46384

Office (219) 464-1011
Fax (219) 462-1916
www.jbmihalov.com

NEWSLETTER
DECEMBER 2005

WE WILL CLOSE AT NOON DECEMBER 9TH FOR OUR ANNUAL CHRISTMAS PARTY.

"C" CORPORATION DIVIDENDS

Since qualifying dividends are taxed at a highly favorable tax rate through 2008, now is a good time for closely held "C" corporations to consider distributing accumulated earnings and profits to their shareholders. In addition, if a "C" corporation has unreasonably accumulated its retained earnings and profits thereby subjecting itself to a 15% penalty tax, paying dividends should ameliorate this penalty.

INDIANA'S TAX AMNESTY LAW

Now that it's over, the fun begins for those taxpayers who did not take advantage of the Amnesty Law. Indiana Revenue Commissioner, John Eckart, said he will go after tardy taxpayers with a vengeance.

ONE TIME WRITE-OFF FOR QUALIFYING ASSETS

For 2005 the maximum deduction will be adjusted for inflation. For 2004, the amount was \$102,000. There are limitations that must be met to get the maximum deduction. One is that the taxpayer has taxable income. So if you are operating at a loss for 2005, this one time deduction will not help you. Also keep in mind that the asset must not only be purchased but it must be placed in service on or before December 31, 2005.

Note: special rules apply for SUV's purchased after October 22, 2004. The special one-time writeoff is limited to \$25,000.

PENSION PLANS

If you are thinking of establishing a pension plan for yourself and your employees, it is too late for a SIMPLE IRA and SIMPLE 401(k). These plans had to be in place on or before October 1, 2005. A defined contribution plan can be set up by the end of 2005. A SEP can be set up any time up to the due date of the employer's return including extensions.

"S" and "C" CORPORATIONS

You are reminded that Indiana corporation law requires that Indiana corporations hold at least an annual meeting of the board and shareholders.

MERRY CHRISTMAS AND HAPPY NEW YEAR

We will be closed December 26th and January 2nd to observe the holidays.

2601 Chicago Street #A
Valparaiso, Indiana 46383