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**NEWSLETTER**  
**NOVEMBER 2004**

*WE WILL BE CLOSED THANKSGIVING DAY, the 25<sup>th</sup> and FRIDAY, the 26<sup>th</sup>.*  
WELL IT'S FINALLY HAPPENED

For over a decade we have been telling those of you who write off business meals and entertainment, and vehicles, that IRS requires that you maintain records to justify the deduction. Now an Indiana Department of Revenue (IDR) auditor questioned a client's deductions for these items. Unfortunately the client has not maintained any records supporting the deduction. And just as unfortunately, the IDR auditor is required to notify the IRS of the disallowed deductions. So now all open years can be audited by IDR and IRS and can cost the client tens of thousands dollars in taxes, penalties and interest.

PRESIDENT BUSH SIGNS NEW TAX LAW OCTOBER 22<sup>nd</sup>

Called the "American Jobs Creation Act of 2004," the Act includes a number of provisions affecting primarily businesses. However, there is also tax relief for individual taxpayers as well. Some of these are:

- Educators' Deduction extended for two more years.
- Child Tax Credit percent increased from 10% to 15% meaning a larger refund for those eligible for this credit.
- Sales Tax Deduction reinstated for those who itemize their deductions. But you will have to forego deducting state and local income taxes.
- Expense Limit for SUVs placed in service after October 22<sup>nd</sup> cannot take a first-year deduction of more than \$25,000.
- Subchapter S Corporations can now have up to 100 shareholders, increased from 75 and all family members are treated as one (1) shareholder.
- Qualified Leasehold Improvement and restaurant property is to be depreciated over a 15-year recovery period using the straight-line method.
- Charitable Deduction for vehicles, boats and airplanes limited to the amount the charity receives on the sale of the item rather than the "fair market value" or blue book value.
- Combat Pay counted as income when figuring the Child Tax Credit. If so used, it does not change the exclusion of combat pay from taxable income.

Other changes brought about by the Act will be featured in future editions of our NEWSLETTER.

PORTER COUNTY TAXES DUE NOVEMBER 10<sup>th</sup>

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