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NEWSLETTER
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LABOR DAY

On this day we believe it is important to reflect on the importance of this day: to honor the American worker. We should add, to honor the efforts of all workers who enter our great country legally.

TAX DEADLINES

- September 15 - Corporate 2005 tax returns.
Third individual estimated tax installment.
- October 16 - Individual 2005 tax returns extended for six months.
Reconverting a Roth to a Regular IRA.

OFFICE HOURS

Labor day reminds us that we no longer close at 1:00 p.m. on Fridays. Our hours, Monday through Friday, are now 8:00 a.m. to 5:00 p.m.

INCOME VERSUS SELF-EMPLOYMENT TAXES

Many unincorporated businesses do not pay income taxes but do pay self-employment taxes on their self-employment earnings. Recently this distinction was made quite clear. A self-employed individual became disabled and applied for Social Security disability payments. Unfortunately, this individual did not have enough covered quarters (months in which self-employment taxes were paid). Therefore, he was unable to obtain Social Security disability payments. His only recourse is to become gainfully employed and obtain the missing quarters.

SALE OF RENTAL PROPERTY

Too often clients forget that the depreciation claimed on the rental property must be recaptured when the rental property is sold. For example, rental property originally cost \$175,000 was sold for \$500,000. Depreciation of \$75,000 was claimed. The gain, \$400,000 (\$500,000 - \$175,000 + \$75,000) is taxed as follows:

\$325,000 x .15%	=	\$ 48,750
75,000 x .25%	=	<u>18,750</u>
		\$ 67,500
Indiana \$400,000 x 3.4%	=	<u>13,600</u>
Total taxes		<u>\$ 81,100</u>
Net cash		<u>\$418,900</u>

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