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**NEWSLETTER**  
***OCTOBER 2011***

**YEAR-END TAX PLANNING**

Now would be a good time to schedule an appointment to see how you stand with Uncle Sam for 2011. We still have a few months before the year ends to take action to reduce your income taxes.

**OCTOBER 17**

This is the last day to file your extended 2010 U.S. Individual Income Tax Return. Penalties may be assessed for failure to do so even if you have a refund due.

**SEPTEMBER 30 - THE END OF THE THIRD QUARTER OF 2011**

The end of the third quarter requires the filing of all payroll and sales tax returns. Make sure you provide us with the information we need to file the required returns.

**FAILURE TO TAKE A REASONABLE SALARY**

Many an owner of a corporation that has elected to be taxed as an "S" corporation deliberately take a very small or, in some cases, no salary at all. The IRS and the courts frown on such a tactic. Corporate officers who take such a position on their federal income tax returns face penalties and fines. For example, a corporate officer (can also be a shareholder in the "S" corporation) who is actively engaged in the operations of the "S" corporation takes no salary. However, to pay for his living expenses, the corporate officer takes "draws" for the year totaling \$75,000 and has the corporation pay \$25,000 of his personal expenses (which are not tax deductible). The IRS will reclassify these "draws" and personal expenses as wages. The results to this taxpayer are the following penalties and interest:

Failure to withholding and deposit income, FICA and Medicare taxes  
Failure to pay withholding taxes timely  
Failure to file payroll tax returns

The total penalties and interest in this illustration would total \$7,900!

So the moral of the story, is to pay yourself a reasonable salary. What is a reasonable salary? That depends on your particular facts and circumstances.

**PROBATE ESTATE**

When was the last time you reviewed your estate plan with your attorney? Failure to do so can bring unexpected consequences to you and your heirs.

**WE THANK YOU FOR AND APPRECIATE YOUR BEING OUR CLIENTS.**

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