



Tax Update

Year End Tax Planning

Christianson & Associates, PLLP is dedicated to helping our clients take advantage of all tax planning opportunities available. We are always available for questions and would appreciate an

opportunity to discuss how 2011 tax changes may affect you and how you can make them work to your advantage. If you have not done so before, consider scheduling a year end tax planning appointment. A

little advance planning will almost always help reduce the taxes you owe. Call today to schedule your year end tax planning appointment.

Willmar - 320.235.5937
Litchfield - 320.693.7918

Why Spend Time Doing Year End Planning

Income tax planning may be defined as the development and implementation of appropriate strategies to reduce, affect the timing of, or shift either current or future income tax liabilities. Recommended strategies are based not only on the tax consequences themselves, but also in light of the individual's overall financial goals.

Income tax planning has two primary objectives:

- Minimizing overall income tax liability
- Fulfilling overall financial planning goals with minimal tax consequences.

These objectives are addressed through three broad strategies

- Reducing the income tax consequences of a transaction or arrangement
- Shifting the timing of a taxable event
- Shifting income to another taxpayer

IRA Tax Advantages

An IRA gives you the opportunity to save for retirement and receive special tax advantages. There are two types of IRA's for individuals – traditional and Roth – each with its own rules and benefits. The first step in choosing the one that is right for you is knowing which one you are eligible to contribute to. Once you know which IRA you are eligible to open, consider which one may be the best for you, and review your financial considerations.

It is now also possible to convert a traditional IRA to a Roth IRA regardless of your income or tax filing status.

Additionally if you are an employer, a company retirement plan may help you save for your own retirement, receive tax credits, attract and retain better employees, and provide an opportunity to deduct all employer contributions from current taxes.

IRA rules and tax calculations can be complicated. A misstep could result in unforeseen income taxes or penalties, while proper planning can provide you with tax savings opportunities. Your tax professional or your financial advisor can help you make the best determination for your situation. Christianson and Associates and our affiliate C & A Financial Advisors are available in one location to assist you in that process.

Inside this issue:

Capital Gains	2
Depreciation	2
Making work pay credit	2
Health insurance reporting	3
Energy Credit	3
Estate Tax	3
2011 tax tables	4

Call today to set up an appointment for your Year End Tax Planning or to discuss Estate Planning

Willmar - 320-235-5937
302 5th St SW
Willmar, Minnesota

Litchfield - 320-693-7918
194 S. Litchfield Ave
Litchfield, Minnesota

Capital Gains

Capital gains and dividends will be taxed at favorable federal rates through 2012. If you are in the bottom two tax brackets any long-term capital gains or qualified dividends have a 0% tax rate. Taxpayers in the 25% ordinary bracket or higher are taxed at a 15% rate.

Sales Tax Deduction

The current sales tax deduction is set to expire on December 31, 2011. After 2011, only state income taxes will be deductible as an itemized deduction.

Currently a taxpayer who has itemized deductions can deduct the greater of their state income tax or general state and local sales tax.

If you are in the process of building a new home, or considering making a large purchase in 2012, you should consider making the purchase before the end of the year to take advantage of the sales tax deduction.

Minor Children

Consider hiring your minor children to save taxes. You must be a sole proprietorship or partnership must be owned entirely by you and your spouse.

Must be legitimate documented work at a reasonable rate of pay

You can pay your minor child (under age 18) up to \$5,800 in wages without having to withhold FICA taxes from your child's paycheck or pay the employer - matched amounts.

Depreciation

Section 179 allows business taxpayers to deduct 100% of the cost of an asset in the year it was placed into service. It is available for both new and used assets. The following table illustrates Section 179 depreciation expense limits and asset addition limits, and how they have changed.

Section 179 Depreciation

Tax Year	Expense Limit	Expenditure Limit
2009	\$250,000	\$800K - \$1.05M
2010	\$500,000	\$2M - \$2.5M
2011	\$500,000	\$2M - \$2.5M
2012	\$139,000	\$560K - \$699K

Bonus Depreciation

In service date	50% bonus	100% bonus
1/1/10 - 9/8/10	X	
9/9/10 - 12/31/11	X	X
1/1/12 - 12/31/12	X	
1/1/13 - 12/31/13	Not available	Not available

Bonus depreciation allows business taxpayers to deduct 50% or 100% of the cost of a new asset in the year it was placed into service.

Making Work Pay Credit

In 2009 and 2012, most working taxpayers received either a \$400 or \$800 tax credit called the "Making Work Pay Credit". This credit expired 12/31/10 and will not be available on their 2011 tax returns. Taxpayers received this credit throughout the year by having less FICA tax withheld from their paychecks.

For 2011, the FICA tax rate was changed from 6.2% to 4.2%

Self-employed taxpayers will see a 2% reduction in self employment tax on their 2011 returns.

Charitable Contributions

Any single cash contribution over \$250 requires a statement from the charitable organization. Cancelled checks are not sufficient. Any non-cash contribution over \$5,000 requires an independent appraisal.

Contributions in excess of \$500 can be deducted on your Minnesota tax return if you do not itemize.

If you are close to itemizing, you may consider bunching two years of

charitable contributions into one year. This would allow you to utilize the charitable contribution itemized deduction one year, and take the standard deduction the next.

Farm taxpayers who are not able to itemize should consider gifting commodities rather than cash. Net farm income is reduced by the donation saving not only income tax dollars, but reducing self - employment tax as well.

New Form 1099-B

Form 1099-B will be revised and will show the basis of stock acquired after 12/31/10, as well as sales price and also whether the gain or loss is short or long term.

New Form 1099-K

Credit card companies and other third party network payers must use this form to report payments to merchants.

Form 1099-K is required if amounts paid to a particular merchant exceeds \$20,000 in gross total reportable payment and if the total number of transactions exceed 200 for the calendar year. This form provides a total and also reports monthly detail of gross payment.

If you receive this form, please provide it with other year-end tax data. There will be a separate line on the tax forms to report this income and we expect the IRS to use electronic matching to verify income is being properly reported.

2011 Energy Credits

A 10% energy credit is available in 2011 for energy efficient improvements to taxpayer's principal residence.

\$50 for circulating fans used in natural gas, propane or oil furnaces

\$150 for each natural gas, propane or oil furnace or water boiler

\$300 for electric heat pump water heaters, electric heat pumps, central air conditioners, natural gas, propane, or oil water heaters and biomass fuel stoves

There is a \$500 lifetime maximum credit where prior energy credits (2006 - 2010) reduce the \$500 maximum credit.

The 30% credit for alternative energy expenditures continues through 2016.

Health Insurance Reporting

W2 forms will now include information on the valuation of health insurance provided to employees. Reporting is optional for 2011. Amounts are informational only and are not taxable.

Health Insurance Premium Credit

A health insurance premium credit is available for small employers that incur the cost of employee health insurance premiums, effective for tax years 2010 - 2015.

To be eligible the small employer must meet the following criteria:

No more than 25 full-time equivalent employees

No more than \$50,000 average annual wages

The employer must contribute at least 50% of the premium cost

Estate Tax Update

The federal exclusion amount for estates is \$5 million for 2011 and \$5,120,000 for 2012. Minnesota's exclusion amount remains at \$1 million. Estates of business and farm owners have a potentially larger Minnesota exclusion after 6/30/11.

Beginning in 2011, the unused portion of the \$5 million exclusion may be transferred to the surviving spouse of the decedent. Form 706 must be timely

filed for the decedent for the surviving spouse to take advantage of the portability of the unused exclusion.

The executor of the estate of a decedent dying in 2010 may elect out of the estate tax, but not the Generation Skipping Transfers tax (GST)

The maximum estate tax rate is 35% for 2010, 2011 and 2012. The GST tax rate is 35% for 2011 and 2012.



The Partners of Christianson & Associates, would like to congratulate Marti Nieland on her upcoming retirement. Marti will officially retire at the end of this year. Marti has been an important part of the C&A practice for over 20 years.

Please join us on December 14 from 4:00 - 6:00 for an open house celebrating Marti Nieland's retirement.

Christianson & Associates
302 SW 5th St.
Willmar, Minnesota
320-235-5937

2011 Tax Information

Filing Status

	Deduction
Personal Exemption	\$3,700
Single	\$5,800
Married Filing Jointly	\$11,600
Head of Household	\$8,500

Standard Mileage Rates

	1/1/11 - 6/30/11	7/1/11 - 12/31/11
Business	\$0.51 per mile	\$0.55 per mile
Moving / Medical	\$0.19 per mile	\$0.23 per mile
Charitable	\$0.14 per mile	\$0.14 per mile

Federal Tax Rates (\$ = taxable income)

	Single	Married Filing Jointly	Head of Household
10% Bracket	\$0 - \$8,500	\$0 - \$17,000	\$0 - \$12,150
15% Bracket	\$8,501 - \$34,500	\$17,001 - \$69,000	\$12,151 - \$46,250
25% Bracket	\$34,501 - \$83,600	\$69,001 - \$139,350	\$46,251 - \$119,400
28% Bracket	\$83,601 - \$174,400	\$139,351 - \$212,300	\$119,401 - \$193,350
33% Bracket	\$174,401 - \$379,150	\$212,301 - \$379,150	\$193,351 - \$379,150
35% Bracket	\$379,151 +	\$379,151 +	\$379,151 +

Minnesota Tax Rates (\$ = taxable income)

	Single	Married Filing Jointly	Head of Household
5.35% Bracket	\$0 - \$23,300	\$0 - \$33,770	\$0 - \$28,440
7.05% Bracket	\$23,101 - \$75,890	\$33,771 - \$134,170	\$28,441 - \$114,290
7.85% Bracket	\$75,891 +	\$134,171 +	\$114,291 +

C&A Services

At Christianson & Associates, we take pride in offering a wide range of services to our clients. Our staff is able to provide assistance in everything from business plans and feasibility studies to attestations and audits and everything in between that your business needs. Please call a Partner today to discuss ways that C&A can help you focus on your business so that you can continue to make your business a success.

Willmar Office 320-235-5937

John Christianson, CPA - Partner
Joel Gratz, CPA - Partner
Bradley Pederson, CPA - Partner

Litchfield Office 320-693-7918

Mark Nicholson, CPA - Partner

Tax Organizer

You will be receiving your tax organizer shortly in the mail. You should receive it around the middle of December. It is important that you review your tax organizer and fill it out prior to your tax appointment. If you have any questions, regarding your organizer, please let us know.