SJM

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Second 2012 estimated tax payment is due June 15

June 15, 2012, is the due date for making your second installment of 2012 individual estimated tax. Your check to the United States Treasury should be accompanied by Form 1040-ES. June 15 is also the due date for calendar-year corporations to make their second quarter 2012 estimated tax payment.

IRS releases vehicle deduction limits for 2012

The IRS has published depreciation limits for business vehicles first placed in service this year. Because 50% bonus depreciation is allowed only for new vehicles, these limits are different for new and used vehicles.

For new business cars, the first-year limit is $11,160; for used cars, it's $3,160. After year one, the limits are the same for both new and used cars: $5,100 in year two, $3,050 in year three, and $1,875 in all following years.

The 2012 first-year depreciation limit for trucks and vans is $11,360 for new vehicles and $3,360 for used vehicles. Limits for both new and used vehicles in year two are $5,300, in year three $3,150, and in each succeeding year $1,875.

For details relating to your 2012 business vehicle purchases, contact our office.

Ask questions before going into business with your spouse

Starting and running a business is rarely a safe or simple process, and doing so with one's spouse creates an additional layer of complexity. Whether that complexity will have a positive or negative effect depends on several factors. Here are some of the questions you need to discuss before going into business with your spouse.

- How well do you work together at home? If you cooperate and collaborate for domestic chores, you'll probably carry that pattern into your workplace. If you bicker constantly over how to do the laundry or maintain the yard, working together in business might be a risky option.
- Even if you work well together, some disagreements are inevitable. How do you handle differences of opinion?
- Will your business be adequately capitalized? You won't have an outside salary to fall back on during hard times.
- Will there be other partners or employees? Each spouse's role and responsibilities with respect to coworkers and subordinates should be clearly defined. Spouses with drastically different management styles can make life miserable for employees and each other.

- Will one of you be supervising the other and/or reviewing the other's work? You'll need to concentrate on treating one another with respect, especially when giving or taking constructive criticism. Conversely, continually overlooking your spouse's mistakes or failings may drag down employee morale or otherwise harm your business.
- Are your strengths complementary or redundant? For example, if you're a pair of engineers starting an engineering firm, you might leave functions such as marketing and accounting to employees or outside services so you can work together within your area of expertise. If you find your professional decisions tend to clash, consider splitting up your clients or processes and working separately within two divisions.

We can help you address the relevant issues and devise a business plan based on your capabilities, personalities, and desires. Call us for an appointment to explore the possibilities.

Can I convert my traditional IRA to a Roth IRA in 2012?

It may be an excellent time to consider converting your traditional IRA to a Roth IRA. As a result of market volatility, some investors have seen a reduction in the value of their traditional IRAs, meaning that the tax cost of converting may have dropped significantly. Also, federal income tax rates are scheduled to increase in 2013, so converting this year may be "cheaper" than converting next year.

Anyone can convert a traditional IRA to a Roth IRA in 2012. There are no longer any income limits, or restrictions based on your tax filing status. You generally have to include the amount you convert in your gross income for the year of conversion, but any nondeductible contributions you've made to your traditional IRA won't be taxed when you convert. (You can also convert SEP IRAs, and SIMPLE IRAs that are at least two years old, to Roth IRAs.)

Converting is easy. You simply notify your existing IRA provider that you want to convert all or part of your traditional IRA to a Roth IRA, and they'll provide you with the necessary paperwork to complete. You can also transfer or roll your traditional IRA assets over to a new IRA provider, and complete the conversion there.

If a conversion ends up not making sense (for example, the value of your Roth IRA declines after the conversion), you'll have until October 15, 2013, to "recharacterize" (i.e., undo) the conversion. You'll be treated for federal income tax purposes as if the conversion never occurred, and you'll avoid paying taxes on the value of IRA assets that no longer exist.

The conversion rules can also be used to allow you to contribute to a Roth IRA in 2012 if you wouldn't otherwise be able to make a regular annual contribution because of the income limits. (In 2012, you can't contribute to a Roth IRA if you earn $183,000 or more and are married filing jointly, or if you're single and earn $125,000 or more.) You can simply make a nondeductible contribution to a traditional IRA, and then convert that traditional IRA to a Roth IRA. (Keep in mind, however, that you'll need to aggregate the value of all your traditional IRAs when you calculate the tax on the conversion.) You can contribute up to $5,000 to an IRA in 2012, $6,000 if you're 50 or older.

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