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Sent: 06/07/2010 9:06 AM
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Subject: Newsletter 6/07/2010

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Newsletter Dated 06/07/2010 **Volume 1, Number 17**

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Last Week:

- Health Bill Hides Change in 1099 Reporting
- What Would a Sales Tax Audit Cost Your Company?
- Dynasty Trusts

Important Links:

Internal Revenue Service
Indiana Department of Revenue

Know someone who would benefit from this Newsletter? Send us an e-mail address.

FOR SALE

WHY USE QUICKBOOKS

When this accounting program first arrived on the scene, many in the accounting profession scoffed at the program as not powerful enough to provide for the needs of business. This idea has changed over the years.

Today, Quickbooks is an established leader in financial software from small to large businesses. The company watched as many competitors have come and gone, but Intuit (the company that developed Quickbooks) has upgraded and improved the software, and continues to advance and adapt the program to the changing needs of customers.

For companies outgrowing the initial versions of QuickBooks, more powerful versions are available that provide a seamless integration from one version to another, some are industry specific. The product is in constant change with the product upgraded from its initial focus.

Added to QuickBooks Pro and Premier, are features formally offered only in QuickBooks Enterprise. As companies grow, they migrate from QuickBooks Pro and Premier to QuickBooks Enterprise. Many make a horizontal switch from competing software for a couple of reasons, low cost, and ease of use.

Ease of use is by far the most important factor. QuickBooks is easy to use, and takes fewer people to operate than competing programs. This means more time is available to focus on growing a business. We've seen clients reduce personnel dedicated to accounting functions after moving to QuickBooks. A typical install occurs in a matter of days instead of weeks as with more complex systems. Some accounting programs can actually take months to configure.

A company does need an on-premise server, but cost is minimal because it's such a simple product to install and use. This translates into a lower overall cost of ownership.

Most of our clients prefer to keep their financial information on-premise for security and peace of mind. But a hybrid approach is available through Quickbooks. Clients may want some functions, such as inventory or business intelligence, in the cloud. But, other functions are more desirable for privacy and security to keep financial data on-site.

With today’s global marketplace, expanding beyond a single currency is on the top of the company’s agenda to address. Under consideration are improvement to the Inventory management functions to include lot tracking, bar codes, and multi-location tracking.

ESTATE and GIFT TAXES

Income taxes, sales taxes, capital gains tax, or property taxes, we deal with all forms of taxes in one form or another. April 15th would be just another day if it weren't for taxes. Taxes are the largest expense and the major problem for us all. Taxes play a large factor in developing an effective estate plan, and eventually fund it. But, generally, this largest tax bill comes due after we are long gone.

According to one Washington think tank, the average American spends more paying taxes than

BUSINESSES AVAILABLE

1. BRAND NAME garage door installation and repair company - Marion County and surrounding counties.
2. "C" store
3. Office Industrial complex- occupied with long-term tenants, 3 acres of land.
4. Operating Day Care Franchise
5. Beauty shop – Fishers

buying food, tobacco, clothing, and housing combined. One of our never-ending goals is to minimize taxes as much as possible, and preserve wealth. The goal doesn't change when it comes to effective estate planning.

With good reason, estate taxes, which mirror gift taxes, can get much higher than your personal income tax, with rates climbing as high as 46%. For instance, suppose you have an estate worth $2.1 million. Your estate tax equals $780,800 for the first $2 million, plus 46% tax on the leftover: Estate Taxes = $780,800 + $100,000(0.46) = $826,800. This is before credits are applied.

When you gift over $1 million to grandchildren, and effectively skip a generation, you're slapped with a double tax. In fact, the tax code treats this gift as two gifts in one, and a 46% tax applied to the gift, twice. Such a gift is hit once with a 46% tax, and again with another 46% tax, therefore, the gift is effectively reduced by 72%. This means $1 million of your hard-earned wealth immediately shrinks to under $280,000 for your heirs, with the remainder going to Uncle Sam.

Congress has created uniform tax rates for gifts and estate transfers of wealth, known as the Unified Gift and Estate Tax Rates. However, since 2002, Uncle Sam has provided different tax credits to gifts and estate taxes.

The Estate Tax Credit allows every American to pass a certain amount of their estate to heirs tax-free. Unlike the Gift Tax Credit, a $1 million exclusion used during lifetime, the Estate Tax Credit can be used after someone dies and the estate is distributed.

With the Taxpayer Relief Act of 1997 and the Tax Relief Act of 2001, the Estate Tax Credit has gradually been increasing. But in 2010, an interesting thing happened, both estate and gift taxes are repealed, for one year.

Currently, lawmakers in Congress are debating if that full repeal should stand, or await the expiration of the Tax Relief Act of 2001. While that debate continues, one thing remains clear. In 2011, all estate and gift rates will revert back to 2001 levels. In 2011, every person who dies can pass only $1 million of their estate tax-free to heirs. Unfortunately, the remainder is subject to estate taxes.

The Gift Tax Credit historically has not been as large as the Estate Tax Credit. For gifts made in 2002 or later, the gift tax maximum exclusion was locked at $1 million, and the gift tax exclusion remained in effect for subsequent years. Only in 2011, when the Estate Tax Credit returns to $1 million, will both credits be equal, or unified.

Estate taxes are due to the IRS 9 months from date of death. In many cases, heirs are forced to sell personal property, real property, and other belongings at below market value to pay for this huge tax bill.

While you can never completely eliminate estate taxes, you can effectively reduce them with different types of trusts. Planning is a must. Many people with large estates, who create a simple living trust, often overlook their largest tax liability and won't be around to pay it.

THESE ARTICLES MAY NOT BE USED FOR PENALTY PROTECTION