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MONROE SHINE NEWS
KNOWLEDGE FOR TODAY ... VISION FOR TOMORROW

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Message from the President Post-Tax Season 2011

Everyone at Monroe Shine would like to extend our sincere gratitude to our clients for another successful tax season. Whether you are a third generation client or this was your first tax season with us, we hope the service you received was on point with the service to which you have become accustomed, and as always we appreciate your feedback. We constantly strive to improve our services and we welcome your assistance in that process.

In December 2010, the 2011 tax season appeared somewhat daunting due to the uncertainty regarding tax law changes. The 2010 Tax Relief Act was signed into law on December 17 and included a two year deferral of the sunset provisions in the three previous tax laws, as well as, major economic stimulus measures, including 100% bonus depreciation. Even with the late tax law changes, our software provider was able to incorporate the changes in a timely manner such that we were not delayed in processing tax returns. Consequently, the 2011 tax filing season progressed very similar to the 2010 tax season. Even with the lateness of the tax law changes, many clients were able to react and make beneficial decisions that lowered their tax bills for 2010.

We pride ourselves on quality and timely service, and we are happy to report that only 6% of our clients filed an extension in 2011. Of those, 80% were due to circumstances outside the client's or the firm's control. According to government estimates, taxpayers and businesses spend 6.1 billion hours a year complying with tax filing requirements and compliance. We agree with comments made by the American Institute of Certified Public Accountants

(AICPA) in testimony before Congress that our current tax laws are too complex and often incomprehensible. The AICPA has suggested several changes to simplify various tax provisions and once again has asked for a repeal of the alternative minimum tax. We whole-heartedly concur with the AICPA's suggestions, including changing the deadline for filing partnership and trust returns to a date in advance of the Form 1040 due date. Many of the extensions we file result from clients not receiving Schedules K-1 necessary to timely file their returns.

As a whole, we feel that this tax season was more efficient and refined than last tax season. There are several reasons for this improvement; first and foremost, our people make the difference. Each tax season comes with its own unique set of challenges, and our team has a remarkable ability to pull together and adapt at every juncture. In addition, we are continually improving upon our technology and processes to offer our clients the most efficient service possible. This year we implemented the use of a client portal to provide clients with a secure method of transmitting documents and files. The portal also allows us to provide clients with electronic versions of financial reports and tax returns as many clients have converted to a paperless office. Finally, we must thank our clients for their sense of urgency. We truly value the relationship we have built with you over the years, and look forward to serving your future needs.

By: Roger Harbeson, President

Governor Daniels Implements New Tax Bill

On May 10, 2011, Indiana Governor Mitch Daniels signed two bills containing provisions, which decouple Indiana from certain changes made to federal income tax law, and decrease the corporate income tax rate from 8.5% to 6.5% over four years beginning July 1, 2012.

To offset the decrease in corporate income tax rates, the tax bills eliminate various deductions. Among other items, the provisions include the adding back of federal adjustments in determining adjusted gross income including; the charitable contribution of an IRA, the tuition deduction, educator expenses, certain start-up expenses, depreciation deductions on leasehold improvements and a recent federal easing of the built-in gain tax on S-corporations. The provisions also eliminate the exemption of state and local bond interest on bonds issued out of state.

Additionally, the net operating loss carryback is eliminated for taxable year beginning after December

31, 2011.

The decrease in corporate tax rates is phased in as follows: before July 1, 2012, 8.5%; after June 30, 2012 and before July 1, 2013, 8%; after June 30, 2013 and before July 1, 2014, 7.5%; after June 30, 2014 and before July 1, 2015, 7%; and after June 30, 2015, 6.5%. A formula is provided for any taxable year in which a taxpayer is subject to different tax rates.

These new provisions are complex and will likely require modification to current tax strategy for Indiana residents.

For more information on how these provisions affect your tax situation, give your Monroe Shine accountant a call to discuss.

By: Jeremy Finn, CPA

Know When to Hold 'Em... Record Retention

We encourage everyone to be mindful of proper record retention before disposing their 1099's, W-2's, and other items used to prepare your 2010 tax return. The general IRS rule is to keep all documentation used to prepare your tax return for a minimum of three years. However, there are a several types of documentation which should be kept for a longer period of time:

- Information documenting the purchase of securities should be maintained until those securities are sold. This information is required to determine the amount of capital gain you will recognize when those securities are sold.
- Business records, especially those related to depreciation, should be maintained for varying lengths of time. For example, non-residential

real estate must be depreciated over 39 years and therefore the documents illustrating the original purchase price must be maintained 42 years, one for each year of depreciation plus the general IRS rule of three years.

- Tax returns should be kept indefinitely. Returns can be useful in preparing future returns and surprisingly you should not rely on the IRS to keep a copy of your previously filed return.

For a more comprehensive list refer to IRS Publication 552 Recordkeeping for Individuals.

By: Josh Stevens, CPA

Critical Factors to Consider When Retiring

Planning a prosperous, fulfilling retirement has become more complicated than ever. Your income, ideally, should remain at the same level after retirement. Unfortunately, mistakes are often made in calculating the amount needed to maintain one's life style.

Some basic questions need answering:

- At what age will you retire?
- How much income will you need?
- What lump sum do you require to maintain the necessary cash flow?

Though these calculations seem straightforward, there are some critical factors to consider.

INFLATION

The returns you get on your investment are important. However, you must also correct them for the rate of inflation. This is your real rate of return. It is computed by subtracting the rate of inflation from your return. For example, if an investment earns 6% and the rate of inflation is 2%, the real rate of return is 4%.

TAXES

If the bulk of your savings is in a 401(k) or Individual Retirement Account (IRA), taxes will have a large impact. For example, if you're in the 35% tax bracket, how much would you need to withdraw from your IRA if you want to net \$50,000 after taxes? Multiply

1.35 times \$50,000 to get \$67,500. And that doesn't include state taxes!

LONGER LIFE EXPECTANCY

50% of individuals will live longer than the life expectancy tables predict. These tables cannot account for new medical breakthroughs that may prolong life for many people.

ADDITIONAL EXPENSES

The myth is that you will need 70% of your annual pre-retirement income when you retire. You'll need more than that in all likelihood.

By addressing the above issues and continuing to educate yourself about potential pitfalls, you'll be on the way to a fulfilling retirement. Please give us a call if we can help you as you plan for retirement.

By: Barb Geltmaker, AIF®, CRPC®

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

Out With the Old and In With the New

Sometimes, like people, companies need a little aesthetic maintenance. A tuck here, a pull there. Well, that is exactly what Monroe Shine has done! Not only have we started producing this quarterly newsletter as an added value to our clients, but we have also designed a brand new website. We are so excited to share our new website with you and hear your feedback! We feel the new website is easier to

navigate, and has a lot of new and useful information. Check out the Tax Center to see upcoming deadlines and planning tools. We have also put all of our newsletters in one place for your convenience. Sign up for as many as you like!

We are proud of our history and use today's knowledge to build a bright new future. We hope you will join us!