

In Perspective

McQuade.Brennan.LLP
Certified Public Accountants and Consultants

Uniquely built to exceed your expectations

[Home](#) [Our Firm](#) [Tax Forms](#) [Tax Calendar](#) [Contact Us](#)

[Personal Info](#)
[Saved Articles](#)
[Calculators](#)
[Unsubscribe](#)
[Feedback](#)

Proficient

*Tax
Compliance
and
Planning*

Reliable

*Accounting
and
Auditing*

Trustworthy

*Investment
Advisory
Services*

McQuadeBrennan 2012 Year End Tax Planning Guide -- Part 1

This is the first of three newsletters we are devoting to our clients 2012 tax planning -- probably the most challenging and important tax planning taxpayers have ever undertaken.

The potential of rising income tax rates and capital gains rates, as well as the new Medicare taxes for 2013, will convince many taxpayers to accelerate income into 2012. Broadly speaking, most taxpayers will explore shifting income into 2012 and pushing deductions into 2013 and beyond.

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

After Sandy -- Does Your Homeowners Policy Cover Flood Damage?

If a homeowner relies on a traditional homeowners insurance policy, the chances are that flood damage will not be covered. It is important to understand the difference between flood damage and water damage as they relate to homeowner insurance policies.

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Estate Planning -- Decision Time As December 31 Approaches

Taxpayers have until December 31 to take advantage of the tax free transfer.

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Business Values and the 'Baby Boomer Effect'



If you own a business and want to sell it in the next 10 to 15 years, you need to plan ahead for the Baby Boomer Effect. Among the millions of people approaching retirement, or leaving the workforce, are Baby Boomer business owners who want to sell. With all of these businesses hitting the market, supply could exceed demand and values could be driven down. This article has five steps for owners to consider.

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Management

Manage Risks When Terminating an Employee



In recent years, there have been some highly publicized incidents of workplace violence directed at supervisors. Although violence is rare in interactions with employees, if your organization needs to terminate or discipline staff members (especially those who have exhibited certain behavior), you should plan ahead to manage the potential risks. This article explains the issue, along with some proactive steps to take.

Copyright © 2013

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Operations

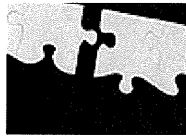
When Companies Share Intellectual Property for Mutual Benefit





When two or more companies agree to share their intellectual property for mutual benefit, the potential gains can be considerable. But as the project begins, little

Your Privacy

© 2013, Powered by BizActions



thought may be given to what could go wrong. To reduce the inherent risks of collaborating with another entity, here are several steps that may help protect your company.
Copyright © 2013

 [Full Article](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Saved Articles

[View Report](#)

- No saved articles.

1730 Rhode Island, Ave NW Suite 800 Washington, DC 20036

In Perspective

McQuade.Brennan.LLP

Certified Public Accountants and Consultants

Uniquely built to exceed your expectations

[Home](#) [Our Firm](#) [Tax Forms](#) [Tax Calendar](#) [Contact Us](#)

[Personal Info](#)
[Saved Articles](#)
[Calculators](#)
[Unsubscribe](#)
[Feedback](#)

[Your Privacy](#)

© 2013, Powered by BizActions

McQuadeBrennan 2012 Year End Tax Planning Guide -- Part 1

Types of Income

A taxpayer can have net losses and still have taxable income. This apparent contradiction arises from the fact that not all income is treated equally. Certain types of losses can only be netted against certain income, so delay tactics in moving a deduction into the subsequent year may not increase income at all if the deduction is allowed only against certain income. The most common losses in these categories are capital losses and passive activity losses. A third type, investment income expenses, also becomes relevant in 2013 in figuring the new 3.8 percent Medicare surtax on net investment income.

Capital Gains and Losses

Capital gain net income is the excess of all gains from the sale or exchange of capital assets arising during the tax year. Net capital losses are only deductible to the extent of \$3,000 against ordinary income. The remainder must be carried forward.

Capital assets yield short-term gains or losses if the holding period is one year or less, and long-term gains or losses if the holding period exceeds one year, so that care must be taken in timing a sale. The excess of net long-term gains over net short-term losses is net capital gain. While short-term capital gains are taxed at ordinary rates, net capital gains of non-corporate taxpayers, as adjusted for certain types of long-term gains (adjusted net capital gains), are eligible for lower maximum tax rates than ordinary income.

Depending upon the appreciation locked into a portfolio, strategies should be considered to either accelerate long-term capital gains, which has the certainty of being taxed at the Bush-era 15 percent maximum, or increase carryover losses in potentially higher-rate years after 2012. In C corporations, declaring special dividends to be distributed before 2012 may prove even more fruitful, if top rates on dividends rise from 15 percent to 43.4 percent (39.6 percent plus the 3.8 percent Medicare surtax).

Passive Income and Losses

Individuals, trusts, estates, personal service corporations and closely held C corporations may only deduct passive activity losses from passive activity income. The reciprocal, however, may not always be the case. Net passive activity income is lumped into taxpayer's gross income and is taxed at regular income tax rates to the extent that it is not reduced by deductions in arriving at adjusted gross income or taxable income. Nevertheless, ordinary losses or capital losses are not deductible from passive activity income. While holding a capital asset for investment may be passive in the sense of requiring no active participation on the investor's part, it is not considered passive income for the passive activity rules and, therefore, net capital losses may not reduce passive activity income (except to the extent of the \$3,000 used to offset any other form of ordinary income, \$1,500 for marrieds filing separately).

A passive activity is a trade or business activity in which the taxpayer does not materially participate. Rental activity is a passive activity without regard to the taxpayer's material participation, except for real estate professionals, and certain taxpayers primarily providing services and short-term rentals. Remaining passive activity deductions are deductible against non-passive income only when the taxpayer disposes of the passive activity.

New 3.8 Percent Net Investment Income Surtax

For tax years beginning after December 31, 2012, a 3.8 percent Medicare contribution tax is imposed on the lesser of an individual's net investment income for the tax year or the excess of modified adjusted gross income for the tax year over \$200,000 (\$250,000 for joint filers and surviving spouses and \$125,000 for married taxpayers filing separately).

"Net investment income" as defined under Code Section 1411(c) means the excess (if any) of the sum of gross income from interest dividends, annuities, royalties and rents; income from passive activities; and net capital gain derived from the disposition of property, over the deductions allowed and properly allocable to such gross income or net gain.

Tax-exempt income is not a component of net investment income. Gain from the sale of a residence is also excluded from net investment income, but only to the extent exempt under the Code Sec. 121 exclusion up to the \$250,000/\$500,000 maximum, as applicable. Those fortunate homeowners with excess gains may want to accelerate any plans for moving into 2012 if the numbers add up and a closing can be done in time.

Non-investment income such as wages, Social Security payments or IRA and other qualified plan distributions also may have a bearing on payment of the surtax, since they can increase AGI, which determines when the surtax kicks in. It should also be noted that certain forms of tax-favored income under the other provisions are cut no breaks under the 3.8 percent surtax; for example, long-term capital gains are taxed at the same 3.8 percent rate as short-term capital gains.

 Email to a Friend  Save Article  www.mcquadebrennan.com  Share This

Feedback

Is this item worthy of implementation?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Is this item worth sharing with other associates?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Did this item present value to you and your business?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>

Comments:

Submit

1730 Rhode Island, Ave NW Suite 800 Washington, DC 20036

 [Full Newsletter](#)  [Newsletter Archives](#)

In Perspective

McQuade.Brennan.LLP

Certified Public Accountants and Consultants

Uniquely built to exceed your expectations

[Home](#) [Our Firm](#) [Tax Forms](#) [Tax Calendar](#) [Contact Us](#)

[Personal Info](#)
[Saved Articles](#)
[Calculators](#)
[Unsubscribe](#)
[Feedback](#)

[Your Privacy](#)

© 2013, Powered by BizActions

After Sandy -- Does Your Homeowners Policy Cover Flood Damage?

As the name implies, flood insurance covers damage caused by a flood. The definition of "flood" is a rising and overflowing of a body of water onto normally dry land. For insurance purposes, "rising" is the key word. Sources of a flood can be a river or a heavy rain. Homeowners insurance covers damage from broken water pipes, water dripping through a roof or ceiling. The Federal Emergency Management Agency (FEMA) sponsors the National Flood Insurance Program (NFIP), which allows property owners to purchase flood insurance through private insurers. The NFIP was created in 1968 because the often catastrophic flooding kept most insurers from writing the policies.

The policy limits are \$250,000 for a single family home structure and \$100,000 on contents for homeowners and renters, and costs about \$600 per year.

Be sure to consult your insurance professional to make sure you are adequately covered.

 [Email to a Friend](#)  [Save Article](#)  [www.mcquadebrennan.com](#)  [Share This](#)

Feedback

Is this item worthy of implementation?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Is this item worth sharing with other associates?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Did this item present value to you and your business?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>

Comments:

1730 Rhode Island, Ave NW Suite 800 Washington, DC 20036

 [Full Newsletter](#)  [Newsletter Archives](#)

In Perspective

McQuade.Brennan.LLP.

Certified Public Accountants and Consultants

Uniquely built to exceed your expectations

[Home](#) [Our Firm](#) [Tax Forms](#) [Tax Calendar](#) [Contact Us](#)

[Personal Info](#)
[Saved Articles](#)
[Calculators](#)
[Unsubscribe](#)
[Feedback](#)

[Your Privacy](#)

© 2013, Powered by BizActions

Estate Planning -- Decision Time As December 31 Approaches

Taxpayers have until December 31 to take advantage of the tax free transfer of up to \$5,120,000 of the estate to family members. On January 1, 2013, the exclusion reverts to \$1,000,000 per individual. Individuals with significant estates should consider the opportunities that are available now and are expiring on December 31, 2012.

The use of trusts for large transfers can provide taxpayers with additional benefits. Trusts can be designed to last several generations without the assets being subject to gift, estate or generation-skipping tax. Assets held in trust are also protected from creditors or beneficiaries, including ex-spouses in the event of a divorce. Married couples can create trusts for the benefit of the other spouse.

Contact your McQuadeBrennan executive to discuss questions you may have on your estate planning during the remainder of 2012.

 [Email to a Friend](#)  [Save Article](#)  www.mcquadebrennan.com  [Share This](#)

Feedback

Is this item worthy of implementation?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Is this item worth sharing with other associates?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Did this item present value to you and your business?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>

Comments:

1730 Rhode Island, Ave NW Suite 800 Washington, DC 20036

In Perspective

McQuade.Brennan.LLP

Certified Public Accountants and Consultants

Uniquely built to exceed your expectations

[Home](#) [Our Firm](#) [Tax Forms](#) [Tax Calendar](#) [Contact Us](#)

[Personal Info](#)
[Saved Articles](#)
[Calculators](#)
[Unsubscribe](#)
[Feedback](#)

[Your Privacy](#)

© 2013, Powered by BizActions

Business Values and the 'Baby Boomer Effect'

It has been estimated that in the next five years or so, more than \$5 trillion in value of small businesses will be changing hands. In the next 10 to 15 years, the estimate rises to \$14 trillion. The main reason driving this is, of course, the aging of the Baby Boomer population in the United States.

As the Boomers hit their mid-sixties and beyond, they will begin retiring in droves. Many will want to transfer their businesses to family members while others will want to sell and use the funds to finance their retirement years.

The owners of those businesses want to maximize their value (if they are going to sell) or find the most cost efficient method of transferring the entities to their heirs. Either way, the value of a business being transferred is an important element for the owners to consider.

The recession that began in 2008, and the continuing malaise felt in some parts of the country, have certainly acted to reduce the value of many of these businesses. The lingering effects might also act to reduce values in the long-term. Additionally, the effect on the value of small companies when trillions of dollars worth of businesses hit the market in the next five to fifteen years is unknown.

One could speculate, as in other situations, supply will exceed demand and drive values even lower. The sheer number of businesses for sale and a diminished number of buyers could certainly lead to this conclusion.

Replacing the Aging Workforce

It's not just business owners who are going to feel a Baby Boomer effect. Employers at businesses, not-for-profit organizations and government agencies must plan to replace a large percentage of employees who are approaching retirement -- including managers and skilled workers.

The demographics of the aging workforce are illustrated in the chart below, which was released by the Bureau of Labor Statistics.

For example, in 1990, only 2.3 percent of the workforce was age 65 to 74. By the year 2020, it is projected that 6.1 percent of the workforce will be that age. *Note:* These are only people still working and does not reflect those who retired. Recent studies show that nearly half of 65-year-old Boomers have already fully retired.

Age	1990	2000	2010	2020* projected
35-44	25.5%	26.3%	21.7%	21.4%
45-54	16.1%	21.8%	23.4%	20.1%
55-64	9.2%	10.1%	15.1%	17.8%
65-74	2.3%	2.5%	3.5%	6.1%
75-up	0.4%	0.6%	0.8%	1.3%

Given both the state of the economy and the eventual flood to the market from the Baby Boomer Effect, here are five steps for business owners to consider:

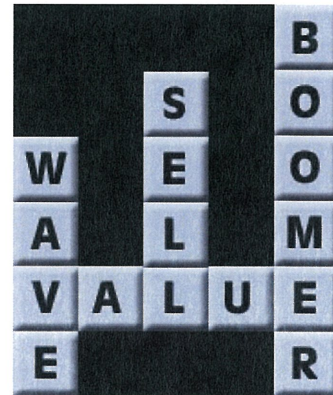
1. Monitor your business value on a regular basis, probably annually. It is also important for business owners to manage their operations for value. That means instituting management programs and taking actions that will maximize the business value.

2. Even if the business is going to be gifted to the next generation, it's important to maintain and increase the value so that the children and grandchildren inherit a strong operation they can improve upon further. With

proper planning, a business can transfer the ownership to the next generation in a tax effective manner. Your CPA tax and valuation professionals can help to attain the best results.

3. When gifting interests to heirs, carefully consider the manner in which you are doing so. For example, if you have more than one child involved in the business, you need to be clear about the responsibilities each active individual will play when the next generation begins to run the operations. It is also responsible to clearly delineate which person ultimately is in control (and back it up with ownership and/or agreements). The last thing you want is a family deadlock somewhere in the future.

4. If you have some children active in the business and others who are not involved, it is wise to consider giving ownership in the business only to those active and taking care of the non-active children with other assets from your estate. If that is not possible, then you should consider devising some arrangement that will insure that the actively involved children are not hamstrung in operating the business and the non-active children will not be shut out of the benefits of future earnings of the business.



5. If you are planning to sell your business, put together the right team to help you. To be effective, it truly does take a team, made up of key members of your management, legal counsel, your CPA, and valuation analyst, and possibly a financial adviser if one is already in place. Some sellers also include family members, friends, and/or business associates to insure that they receive trustworthy advice. However, a note of caution on these latter potential team members. They can sometimes be detrimental to the process, if for example, they are given too much authority relative to their experience and competency.

There is no doubt that the Baby Boomer effect exists and it could have an impact on the exit strategy from your business. Your CPA, attorney and Valuation Analyst can be helpful in guiding you through this important transition not only in your business -- but in your life.

 Email to a Friend  Save Article  www.mcquadebrennan.com  Share This

Feedback

Is this item worthy of implementation?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Is this item worth sharing with other associates?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>
Did this item present value to you and your business?	Yes <input type="radio"/>	No <input type="radio"/>	Maybe <input type="radio"/>

Comments:

Submit

1730 Rhode Island, Ave NW Suite 800 Washington, DC 20036