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2012 Tax Season: Opportunities & Updates for Businesses & Individuals

San Jose, Calif. – February 1, 2012 – With the 2012 Tax Season approaching, Abbott, Stringham & Lynch, a CPA firm headquartered in San Jose, provides this tax guide to the media concerning some key issues businesses and individuals should be aware of:

Businesses:

Understanding the HIRE Act Can Save You Money If You Qualify – If businesses hired employees who began their employment after February 3, 2010 and before January 2, 2011, they should check to see if those employees meet the HIRE Act criteria. HIRE, passed in 2010 to encourage businesses to hire and retain employees, provides a General Business Tax Credit, which can be used to offset their tax liability dollar for dollar with any excess credits available for carryback and carry-forward provisions. For each qualified employee, the lesser of \$1,000 or 6.2% of wages (for a 52 week period) is allowed as a General Business Credit.

The Research Tax Credit is Not Just for Big Business with Big R&D Programs – Often dismissed by smaller businesses who erroneously believe this credit only applies to earth shattering research, the Research Tax Credit, in fact, can apply much more broadly. While the Research Tax Credit expired December 31, 2011, it has been extended in some form for the past 19 years. Based on this history, it is likely to be extended again. Therefore, small and midsize businesses should explore this opportunity.

Got Capital Purchases? You Might Be Entitled to a Deduction – Businesses that made capital purchases in 2011 or are planning capital purchases in 2012 should take a look at Section 179 and Bonus Depreciation. In 2011 only, qualifying capital purchases can entitle you to a 100% deduction. In 2012, the window of opportunity narrows to a deduction of 50% before closing completely in 2013.

Reporting Foreign Bank and Financial Accounts is for More Than Individuals – Often addressed from the individual perspective, it's important to note that the same foreign bank and financial accounts reporting obligations apply to domestic companies as well as individuals. This is because the Department of Treasury defines a United States person as an individual and legal entities, such as a limited liability company, corporation, partnership, trust or estate. When reporting foreign bank and financial accounts, it is also important to note that unlike the IRS the Department of Treasury does not use the postmark to determine if you've met the filing deadline.

Instead, they base an on-time submission on when they actually receive the form. The filing deadline is June 30th.

Individuals:

Scheduled Lower Capital Gains Rates Increase May Affect Timing of Investment Decisions

– While taxes alone should not drive investment decisions, due to the significant tax impact of the 2013 increase in capital gains rates, planning for the timing of sales of capital assets may prove very valuable. For taxpayers below the 25% tax bracket, capital gains are taxed at 0%; for taxpayers at the 25% bracket and above, capital gains are taxed at 15%. In 2013, these rates are set to adjust to 10% and 20% respectively.

Golden Opportunity to Use Your Alternative Minimum Tax Credit is Quickly Closing –

Alternative Minimum Tax (AMT) credits are notorious for being carried forward year after year with no opportunity to use them due to the AMT credit normally being limited to the excess of AMT tax over the regular tax. However, an exception to the general AMT credit rules is available in certain circumstances; for example, a “Long-Term Unused Minimum tax credit” is available for taxpayers who have AMT credits that were generated from deferral items, such as Incentive Stock Options, that are more than three years old. Since credits are generally available over a two year period and the refundable credits exception is set to expire at the end of 2012, it is important to identify any credits in the 2011 tax returns.

About Abbott, Stringham & Lynch (ASL)

Abbott, Stringham & Lynch (ASL), founded in 1977, is one of the leading local CPA firms in the Silicon Valley. ASL provides emerging and mid-market private companies and their executives with accounting and audit, tax, estate and wealth planning, and consulting services. ASL's clients include construction, technology, and real estate businesses among others. ASL is a member of PKF North America, a network of independent CPA firms.

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