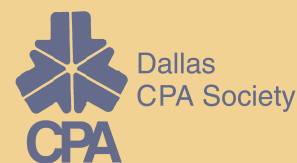


Ask a CPA



PRESENTED BY THE DALLAS CPA SOCIETY



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YEAR END TAX PLANNING

Q: When should we start our year-end tax planning?

A: Tax planning for both businesses and individuals should be done on a year round basis. Here are a few items to consider:

- For C corporations, watch for accumulated earnings issues where a special tax on excess retained earnings can potentially be assessed.
- C corporations can have problems if unreasonable compensation is paid to employees.
- Dividends to shareholders can reduce retained earnings and address compensation issues. Plus, they are only taxed at 15% to the recipient.
- For S corporations, shareholder distributions made in lieu of salary can cause IRS problems.
- Entities subject to Texas franchise tax should plan to minimize the tax as much as possible.
- Businesses should investigate retirement plan options. Some plans must be established by December 31.
- Individuals should verify their withholding tax is within the safe harbor amounts to avoid any underpayment penalties.



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ESTATES WITH BUSINESS INTEREST

Q: What are the estate tax consequences if family or closely held business interests are a significant part of a decedent's estate?

A: The closely held, family-owned business valuation issue can be a daunting challenge to the estate. The tax law allows a tax attributed to a closely held business interest in an estate to defer for five years and pay the tax over ten annual installments with low interest rates. The payment of an estate tax by a family-owned business with no liquidity can pose a problem for the heirs of continuing the business. Forcing a sale of a going business can endanger its value.

The heirs can take advantage of this tax rule if the value of the decedent's business interest exceeds 35% of the adjusted gross estate. The amount of tax that may be deferred is limited to the tax attributable to the business interest. Interest in a closely held business means an interest in a proprietorship or an interest in a partnership or corporation with 45 or fewer partners or shareholders and 20% or more of the value of the capital or voting stock are included in the decedent's gross estate.



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CFO SERVICES

Q: Do I need a full-time financial professional for my small business?

A: Maybe not. As many small businesses grow, they start to see a larger number of more complex accounting activities. Owners may be doing the accounting themselves or relying on a CPA or bookkeeper for monthly financial statements and tax returns.

At some point a need will arise for more detailed financial statements, cash flow forecasts, budgets, bank/investor reporting, help with accounts payable, accounts receivable, payroll, and more. More than likely, these needs do not require a full time hire.

Many companies are turning to firms that provide part-time personnel from a clerk to a CFO all in one package. The companies have access to the full range of expertise in financial matters without the expense and commitment of hiring employees that may or may not have all of the skills and experience required. These firms are typically experts on growing businesses and can help to bridge the gaps at all levels until the company grows to a point where hiring full-time staff people makes sense. Having the additional support allows the business owner to focus on the core business goals.



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VENTURE CAPITAL

Q: How can I attract venture capital for my fledgling company?

A: Do your homework! Rosy projections alone aren't enough. You need a well thought-out Business Plan, backed by credible research data showing that you've done your homework. The Plan needs to tell what the business does and how it makes money, as well as information on the market and competition. Include historical and projected financial information, as well as background information on the management team. Don't forget a brief one or two page Executive Summary up front that gives an overview of the Plan. This will get read first and often determines if the rest of your Plan gets read.

Research potential sources of capital, from "angel" investors to venture capital or private equity firms. Find the sources that match your mutual needs, based on industry, size of investment and stage, i.e. start-up, early stage, latter stage, etc. Don't waste your time or theirs if you don't match each other's criteria. Get your Plan in front of the right people and sell your idea!

* This firm is not a CPA firm.

The Dallas CPA Society, Texas Society of Certified Public Accountants (Dallas Chapter) is a not-for-profit professional association serving approximately 6,200 CPA members in the Dallas and surrounding 13 counties. For information, please visit our Web site at www.cpadallas.com. Need a CPA? Call 972-960-8311.