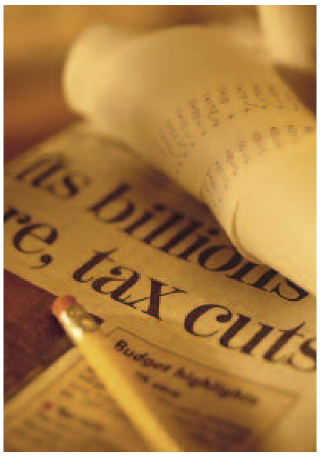
Nov/Dec 2004

business performance
advantage

1. Avoid a Cash Flow Gap
2. Leadership
3. Tax Breaks
4. Success in Succession
5. Marketing – Get a Hook

CFO Plus LLC
Our Business is to Improve Your Business

Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.



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Tax Breaks and Other Strategies

When the clock strikes 12 on December 31 this year, lots of tax savings opportunities will be gone with 2003. But one big one is already gone. If you planned to wait until the end of the year to buy a heavy SUV (more than 6,000 pounds) for your business and deduct the full amount in a single year, you've run out of time. With the new American Jobs Creation Act of 2004, SUVs weighing between 6,000 and 14,000 pounds now are subject to the annual expensing limit of $25,000 (cut from $100,000). Now, it will take you four years to fully write off the vehicle if it is used 100 percent of the time for business.

The SUV expensing limit of $100,000 that allowed some wise company owners to buy luxury SUVS that weighed more than 6,000 pounds and cost as much as $80,000 and write off the full amount (given the entire vehicle was used for business) was in effect until October 22, 2004.

For businesses that plan to donate a company car this year for a big tax write off, better hurry up and do it now. Under the old guidelines, fair market value was determined using the Kelley Blue Book, the "trusted resource" in determining new and used car values. This means that companies donating cars could donate up to the Kelley Blue Book fair market list value – regardless of the sales price the donating organization received for it. However, past December 31, 2004, the donor of a car will be able to take only the amount the charitable organization receives when the care is sold.

While this opens up a whole range of questions for charities – the main question it raises for the donor is can the charity sell your car for what it is worth as a donation?

Here are some others that are oldies, but goodies:

- **Max out contributions to your retirement plan.** If you contribute to a retirement plan such as a 401(k) or a 403(b) plan, you can contribute up to $13,000 this year. If you're 50 or older, you can add another $3,000 as a catch-up contribution.

- **Spend all your flexible spending account (FSA) dollars.** If you don't spend it, you lose it. Review the list of items you can use FSA dollars to purchase. Some nonprescription drugs qualify. Schedule tests, doctors appointments and any other routine medical treatments now.

- **Make your Jan. 1, 2005, mortgage payment on Dec. 31.** Remember to add the extra interest paid to what your bank reports on its Form 1098. They'll get your payment in 2005 and won't report it for 2004. But you paid it then and it adds to your deduction this year.

- **Pay real estate taxes early.** If you pay your own real estate taxes, make any payments due in the beginning of 2005 by Dec. 31. By paying on Dec. 31, you get the deduction a year earlier.

If you are unsure how the new tax laws will affect your company and your personal situation, give us a call. We are happy to discuss your unique situation! ■