

FINANCIAL STATEMENT

The Newsletter of Allied Tax Planners & Jerry's Tax Service

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Another Tax Season Over

Phew! Thank you to all our clients for a great tax season! This year was especially exciting with the opening of our Castro Valley office and the addition of all our new Jerry's Tax Service clients! We want to thank you for your trust and patronage. We will continue to bring you outstanding service and value. - MH

Real Estate and Taxes

Do you need more depreciation deductions to reduce taxes? Cost segregation may be a solution, also known as Component Depreciation or segmentation. It is the breaking down of a building and land improvements into its many different components. By doing so, items like carpets, electrical, partitions, asphalt, etc. can be depreciated faster than being lumped into just one building and depreciated over 27.5 years (residential rentals) or 39 (commercial property) years.

Cost segregation began to come about in 1993 when commercial real estate depreciation was increased from 31.5 years to 39. Corporations were looking for any angle possible to deal with the increase in taxes caused by this change. There are about 300 court cases establishing the validity of this option.

This method may or may not be useful to individuals. Bigger deductions sound good when considering the time value of money and saving taxes today is often more effective than saving taxes ten years from now.

This subject is a hot topic in real estate circles these days. The individual must qualify to deduct expenses from their real estate. Many investors today cannot currently deduct their real estate investment net losses because they don't qualify as real estate professionals (750 hours/year). Their incomes are too high, or they don't materially participate (500 hours/year in the acquisition, management, and or sales of their real estate). Sometimes they qualify but are already in too low of a tax bracket for them to benefit by the extra deductions. Why waste a dollar deduction to save ten cents of taxes, when you will pay back fifteen cents of taxes as capital gain tax on the same dollar?

But if you are in a high tax bracket, this approach may save you many thousands of tax dollars. Let your advisor know if this is a strategy you want to start using on your '07 return. - Brad Haupt

CASHFLOW PARTIES ARE HERE!!!

Spend some time with us playing this game and start learning how to think like the rich!

Details on back.

Planning Ahead —Danny Haupt

This tax season I noticed many clients who owed the IRS big bucks. Two things I want to point out:

The first thing. Every year clients ask us, "This is what I did, can I deduct it"? And every year, we need to remind them — If you had called us last year we could have made it work. It is often too late to make the expense, payment, cost, etc. into a deduction at that point. It is SO important to PLAN to save taxes. The Tax Code is written in such a way that you rarely have tax deductions by accident; so you must structure your financial decisions around the Code to qualify for those deductions and credits.

The second thing. Many clients owned businesses and were not properly monitoring their Profit and Loss, Balance Sheet, and Cash Flow statements. These statements are the vital signs of your business! Understanding these statements is essential to business success. Not understanding or not monitoring your business can be devastating.

If you don't pay attention to your statements, it is very easy to think when Gross Revenues are up, that Profits are up also; when in fact it may be that profits have decreased!

If you don't understand your statements, ask your bookkeeper or accountant to help you understand them. - DH

Shameless Plug: ATP provides very affordable bookkeeping services. Call Daniel if you have any questions, at 510-886-2937.

Cashflow Parties!

Cashflow is a board game developed by *Rich Dad, Poor Dad* author and wealth guru Robert Kiyosaki. In this game, you can *play* with money to learn concepts and principles about how to invest your *real* money. Whether you're just starting your journey towards financial freedom or already have some experience, these Cashflow Parties will be a fun event and a great way to meet others also interested in maximizing financial opportunities.

We will be running 3-4 games in the office but even with multiple boards, seating will be limited! If you would like to attend, please call and RSVP, ASAP! We will be having only a handful of these events during the year.

Upcoming Cashflow Parties:

Tuesday, June 5th, 6 pm to 9 pm

Thursday, June 21st, 6 pm to 9 pm

\$2 charge to cover snacks & drinks

Games will be cut off at approx. 8:30 to allow for discussion.

Financial Section



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TAX & FINANCIAL ADVISORS

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