



For Immediate Release

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LifeAuditorsSM Looks at How Potential Tax Changes Could Impact Small Business Owners, and Owners of Second Homes

Long Grove, IL (June 28, 2012) – It’s just a matter of time before Congress passes laws impacting small business owners and high-income individuals and families to help address current economic problems and rising deficits, says Paul Katz, founder of [LifeAuditorsSM](#), Inc., a fee-based consulting service that examines the totality of personal and business planning tools. While it’s doubtful that very much can be addressed until after the November election, here’s three significant issues that will no doubt dramatically alter the way some small businesses operate, and families deal with second mortgages.

Katz, with three decades of experience counseling business owners, says the IRS is looking to close a loophole used by subchapter S corporations when owners take low salaries. Business owners elect to take a low salary so that the bulk of a company’s profits are declared as dividends which are taxed at a lower rate than salaries. Higher-income business owners would pay increased taxes on their share of the firm’s profits if 75% or more of the corporation’s gross income was attributable to the services of three or fewer of the firm’s shareholders. This rule change would apply to married owners with modified adjusted gross incomes (AGI) greater than \$250,000 and single shareholders with a modified AGI greater than \$200,000. Modified AGI is figured by taking adjusted gross income and adding back any excluded foreign earned income and the write-off for a portion of self-employment tax paid.

So who would pay more? S corporations in the fields impacted by the proposed rule change would include accounting, law, health, engineering, lobbying, investment advice, actuarial science, brokerages, consulting, architecture, athletics and performing arts. Similar rules would apply to partners in personal service partnerships. Senate Republicans have tied up things for now, but Katz says don’t rule it out when the next Congress takes up tax changes next year.

Another hot topic that Katz is monitoring involves limiting the mortgage interest deduction on second homes. “The idea is to restrict the elimination of a deduction to upper-income taxpayers, but the specifics as to what level of income would be required to trigger a cutback has not been calculated,” [said Katz, LifeAuditors’ founder.](#)

Still, Katz believes some cut in the mortgage interest deduction is likely in tax reform. The plan of President Obama’s fiscal commission would be to eliminate the write-off for mortgage interest on all second homes and put a cap on the value of the deduction for primary homes. To get rates down, some paring of this tax break is likely in the cards.



More business costs are proposed under a bill under consideration called the Debt Free America Act (House Bill 1125) which would “establish a fee on most transactions.” This proposal differs from sales tax in that a sales tax is charged only on sales to the final consumer; a transaction fee, as proposed, would apply to intermediate users, as well as end users.

The transaction fees proposed in House Bill 1125, sponsored by Rep. Chaka Fattah [D-PA], would apply to the entire amount of a transaction. Fattah’s plan is that passage of this bill will raise enough revenue in 10 years to eliminate the national debt. Once the debt is paid, the transaction fees will allow for a phasing out of personal income tax. This would then provide incentives for private sector investment in capital goods, such as manufacturing plants and facilities, clean energy generation, and infrastructure development. The prospect that this bill is passed appears low.

Katz said: “With all the change in the air these days, prudence suggests it’s never a bad time to take an inventory of possible exposure and seek independent counsel on alternative business and personal strategies.”

About LifeAuditors, Inc.

LifeAuditorsSM provide a comprehensive, independent assessment of personal and business objectives that includes analysis of corporate and personal tax returns, wills, trusts, buy-sell agreements, retirement plans, insurance, pre and post-nuptial agreements, special needs arrangements for dependents, blended family planning and personal exit strategies. LifeAuditorsSM [consulting services are on a fee-basis only](#); no products are ever sold. Paul Katz, LifeAuditors founder with 40 years’ experience in the financial environment, firmly believes that a second objective opinion is a sound business strategy if practiced continuously. To learn more, visit www.lifeauditors.com and schedule a complimentary consult.

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