



# Waldron H. Rand & Company, P.C.

Certified Public Accountants

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## Creating Value in Uncertain Times

Anthony Librot, CPA, MSF

*From Waldron Rand's May 2012 Newsletter: Accelerating Business Success*

There are a lot of unknown factors impacting the 2013 tax laws. We are almost halfway through 2012 and for the first time in years many tax laws, including income tax rates, estate and gift tax rules and rules for depreciation, remain undetermined. At Waldron Rand, we are constantly asked what we think the future holds?

In helping our clients analyze their current business needs, liquidity is of paramount importance. Questions like, "What will happen when Obamacare comes into play," and "Should I be making capital expenditures to upgrade equipment?" are ones we deal with every day. Understanding the liquidity issues surrounding your future cash flow holds the key to answering these questions.

We recommend that you **"Be prepared for change by changing how you look at your business."** It's important to have a conservative viewpoint on investments and expenditures right now. We advocate having liquid investments that can be turned into cash to pay for future needs. We can't emphasize enough the impact this will have on the decisions you make for your business. Basically, determine the worst-case scenario and plan for it since there are so many variables and unknowns that will impact your future.

Let's take investment and depreciation rules, for example. The federal bonus depreciation rules that allowed for accelerated deductions on new equipment during the past several years have not yet been extended past December 2012. We don't know if they will, so all decisions you make should be based not only on the tax law but also on what you absolutely need. It's best to be conservative with all cash investments during times of uncertainty.

The capital gain rates are another area of uncertainty. You may be wondering, "Should I sell my business or real estate" or "Does it make sense to enter into a Section 1031 Like Kind Exchange to defer the tax gain into a future period?" Perhaps you're wondering if you should harvest capital losses to offset current year gain or hold the losses until 2013? With the expiration of the Bush tax cuts, capital gains will be going up after December 2012. However, the correct answer to each of these questions depends on your specific facts and circumstances. That's why we work closely with each of our clients to customize a plan that maximizes their tax savings.

Perhaps one of the largest potential changes for clients relates to their individual investment portfolio. As it currently stands, after December 31, 2012 the distinction between qualified dividends

and regular dividends will disappear and both will be subject to tax at ordinary rates. For a qualified dividend this could change the tax rate from 15% to 39%. This can also have a dramatic impact on the stock market and how investment advisors will choose to position client portfolios. All of this critical information needs to be taken into account to determine how to best position individuals and their companies for the future.

To summarize, decisions need to be made based on fundamental business values. Don't make an investment because you might get a write-off. There are simply too many unknowns. As your trusted advisors in planning we will work with you to make sure the solution considers all of the uncertainty in the current year so that you maintain the liquidity you need to deal with unforeseen situations.

### **About the Author, Anthony Librot**

Anthony (Tony) Librot provides accounting, audit, corporate tax, and management advisory services to a diverse client base in varying industries including real estate, hospitality, technology, and manufacturing. He combines his experience serving both public and privately held companies to provide value-added financial, operational, and tax advice. Prior to joining Waldron Rand in 2002, Tony worked at KPMG, LLP where he gained national firm experience serving Internet, communication, and software companies.

Tony holds a B.S. in Business Administration from Colby-Sawyer College and an M.S. in Finance from Suffolk University. He is a frequent speaker at industry group forums on topics relating to accounting and finance and is a guest professor at Colby-Sawyer College where he serves on the Colby-Sawyer President's Advisory Council. Tony is a member of the Dana Farber Leadership Council and the Accounting and Auditing Committee of the Mass. Society of CPAs.

### **About Waldron H. Rand & Company, P.C.**

Waldron Rand, located in Needham, MA, provides unmatched accounting, auditing, tax, and consulting services to individuals and privately held businesses in a wide range of industries throughout the U.S. and globally.

At Waldron Rand, our business, tax and assurance experts are more than scorekeepers. We take a holistic approach to working with clients. For more than 100 years, we have been providing partner-level service to help our clients manage challenges and seize business opportunities. For more information or to personally speak with a partner, please call 781.449.5825 or email us at: [advice@waldronrand.com](mailto:advice@waldronrand.com).

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