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Hi everyone—another tax season has come and gone...as much as we enjoy being very busy (and seeing everyone) it's nice to be done with the rush...and that also means nice weather! I'd like to thank you all for being great customers. Without you we wouldn't be here. I'd also like to thank my team for doing the wonderful job that they do in taking care of you. If there's any thing we can help you with in the next few months (like bookkeeping, retirement planning, investments, payroll, ect) please give us a call.

### Minnesota Residents

Homeowners or renters remember to bring in your 2011 Property Tax statements or you 2010 Certificate of Rent Paid forms. You may qualify for a MN Property Tax Refund—these are due by August 15<sup>th</sup>.

Many of our area towns had quite substantial increases in their property taxes this year which may qualify for a Special Property Tax Refund.

Parents of children in grades K-12 remember to keep your receipts for school supplies, music lessons, dance lessons, music instruments, driver's education costs and private school tuition. These expenses qualify for either a subtraction or credit with Minnesota.

### Checklist

#### Ready for Retirement

- Do you review your retirement portfolio each year and rebalance your asset allocation if necessary?
- Will you reach your financial goal within your desired time frame?
- Do you know your payout options?
- What are your health insurance options?
- Do you plan to purchase long-term care insurance?
- Is your Social Security benefit statement accurate?
- Are your beneficiaries up-to-date?
- What is your required minimum distribution?
- Will your retirement money last 20, or 30 years?
- Do you have accurate knowledge of estate planning tools?



### Must Read

Pretend an 8-year-old child does paid chores after school and earns \$166 a month. If the money is put into a Roth IRA that invests in a good mutual fund with an average 11% rate of return, at the age of 17 that child would have a total of about \$30,000.

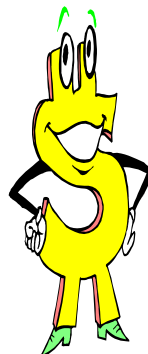
\$18,000 of that can be taken out tax & penalty free for any purpose because it is the child's contribution over the years. The other \$12,000 is considered earnings; but if used for education can also be withdrawn penalty-free (not tax-free) before retirement age (60).

By the time that child is 60, \$12,000 at 11% a year will have grown into \$1,000,000. Amazingly, if that child left all \$30,000 in the account to grow and never added another penny, at age 60 it would be about \$2.7 million dollars, and could be taken it out tax free.

Is an 11% return realistic? Yes, over the long term the stock market has yielded this much, but not over the short term. Yet again stressing the importance of starting early and staying in for the long term!

### Roth IRA Conversion

The income limit for conversions has been permanently removed, so this year all taxpayers may still convert ordinary IRAs into Roth IRAs. But taxpayers who convert to Roth IRAs in 2011 no longer have the option of deferring conversion income into later years, as was true for 2010.



### Income Taxes

This year's rates carry over from last year, but the brackets are a bit higher than last year's due to inflation adjustments and will expire at the end of 2012.

### Child Tax Credit

For 2011 the credit remains at \$1,000 for children 16 and under. Reminder if your child turns 17 in 2011 W-2 wage earners may want to re-evaluate your federal withholding.





## An Identity Theft Reminder

When I think about identity theft I think social security numbers and credit cards but it can actually start with knowing the color of your first car or the name of you elementary school. A person with these answers would be able to set new email and bank passwords or change a credit card pin. It is important to limit the amount of information posted on social networking sites and use different passwords for email and bank accounts.

*The average millionaire is married with 3 children*

## 2011 Changes in Flexible Spending

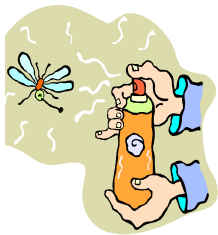
The Affordable Care Act of 2010 created new limits for workplace health plans that include tax-free flexible spending on health savings accounts. Typically you are given the option to set aside a specific dollar amount and then use this to reimburse yourself for all types of medical expenses.

However, effective as of January 1, 2011, the cost of over-the-counter medicine or drug can no longer be reimbursed unless prescribed by a doctor. If someone in your family is in need of an over-the-counter medication, in order for this to be reimbursed under your flexible spending account, then you must get a prescription from your doctor even if one is not needed to obtain the medicine.

This change doesn't affect expenses of medical devices, eye glasses, contact lenses, co-pays and deductibles.

## Mosquito Free

A new way to keep mosquitoes away! Start with a clean spray bottle and mix equal parts of cold water and Listerine mouth wash (the regular kind). Shake and use to mist yourself.



## The Value of Recognition

Next time you make a public speech at a firm event don't forget to thank your team members. Businesses succeed because of the efforts of all team members working together, from the CEO to the receptionist. Showing them that you are aware and grateful for their contributions will foster loyalty and give them greater reason to continue giving.



## 3 Ways the IRS Can Pay for School

Sometimes help comes from unexpected places. Did you know you can use the tax code to help reduce the cost of your child's education?

### 1. Income Tax Credits

Credits are better than a deduction. A \$100 credit reduces your tax by \$100. A \$100 deduction reduces your tax by only your marginal rate. So if you're in the 28% bracket, it saves you only \$28.

- **American Opportunity Tax Credit:** Extended last December through 2012, this is a credit of 100% of the first \$2,000 in tuition and related education expenses and 25% of the next \$2,000, for a maximum total of \$2,500. Forty percent of this credit is refundable. So you can get \$1,000 check from the IRS even if you have no tax liability.
- **Lifetime Learning Credit:** This credit is 20% of up to \$10,000 in qualified undergraduate or graduate expenses. This is a per-family credit.

### 2. Coverdell Accounts

These used to be called Education IRAs or Education Savings Accounts. Fund a Coverdell Account with as much as \$2,000 per child under 18 in 2011, and all earnings used for qualified education expenses can come out tax-free. If you invest \$2,000 a year earning 7% in a Coverdell Education Account for 18 years, you'll have \$36,758 in tax-free income and a total account valued at \$72,758.

### 3. Section 529 Plans

These qualified state tuition programs allow you to:

- Purchase tuition credits or certificates for the payment of education expenses, or
- Make contributions into an account to pay qualified education expenses such as tuition, books, fees, room and board.
- All distributions come out tax-free.

**The Best Clients** are the ones that appreciate your skills and service and are happy to pay willingly and promptly. If your strongest connection is only price, you leave yourself open to a competitor. Even if they feel you charge a slightly higher price, the value of better service ultimately means greater efficiency for the client, and that has a clear financial value.

## Business Organization Options

### Sole Proprietorship

**1** Owned and controlled by one individual. This person receives the profits and bears the losses and is responsible for the debts and obligations of the business.

### Partnership

**1** Owned by two or more people and each person is equally responsible for all debts & obligations of the business. They also share the right and responsibility to manage the business.

### Limited Liability Partnership

**1** Also known as LLP allows a general partnership to register with the secretary of state to shield personal assets of the partners against liabilities incurred by the partnership.

### Limited Partnership

**1** Must have one general partner and one limited partner. The general partner has the right and responsibility to control the limited partnership, and is responsible for the debts and obligations of the limited partnership. The Limited partner, in exchange for limited liability, is usually not involved in the day-to-day management and control of the business.

If you are interested in starting a business, please contact us for assistance in choosing the form of entity that will work best for you. Or log into our states Economic Development website for more information.

## Tax Credit for College Tuition

The American Opportunity Tax Credit is still available for 2011 and provides up to \$2,500 per student per year of four years of college and also covers cost of books—it begins to phase out at \$80,000 of adjusted gross income for single and \$160,000 for married filing joint. If the credit is more than your tax liability, 40% of it is refundable.



**“There’s nothing wrong with the younger generation that becoming taxpayers won’t cure.”**

**~Dan Bennett**

## New Laws

A new law cuts Social Security tax withholding rate on employee salaries from 6.2% to 4.2%. Self-employment Social Security tax is cut from 12.4% to 10.4%. This is for 2011 only.

A new law retroactively restores \$250 (of school-related expenses paid out of pocket) deduction for K-12 Educators for 2010 and 2011.

A new law extends the current 10, 15, 25, 28, 33, & 35% tax-rate brackets through 2012. The current 0 and 15% rates on most long-term capital gains and dividends are also extended through 2012.

## Beneficiary Updates

Check the beneficiary on your Life Insurance, Annuities, IRAs, and other assets. Let’s get together and see if the beneficiaries you named when you first bought your asset make sense now with life’s changes in children, spouse, in-laws. *Call to set up a meeting.*

**A 100% first-year special (bonus) depreciation allowance** for qualifying new (not used) assets acquired.

- è Must be qualified property
- è Must be purchased from 9/9/10 through 12/31/11
- è Must be placed in service by 12/31/11

The placed-in-service deadline is extended to 12/31/12 for long-production-period property and certain aircraft. For long-period property, only the portion of a qualifying asset’s basis that is allocable to costs incurred before 2012 is eligible

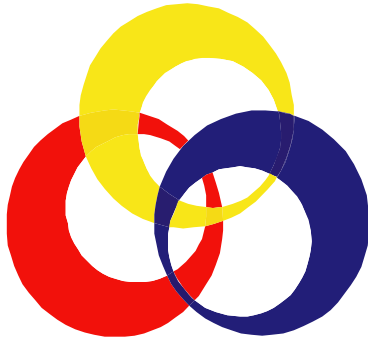
**50% special depreciation** is allowed for qualifying new (not used) assets placed in service in 2012. Deadline extended to 12/31/13 for long-production-period property and certain aircraft. Only the portion of a qualifying asset’s basis is allocable to costs incurred before 2013 eligible.

## Direct Donations for IRA’s to Charity

IRA owners age 70 ½ and older can donate up to \$100,000 of their IRA’s to charity in 2011 without having to report the withdrawal as income and deduct the donation as a charitable contribution. Deductions will not be limited by the adjusted gross income cap on charitable contributions or the itemized deduction phase-out. Amounts donated in this way count as all or part of the IRA owner’s required minimum distribution.



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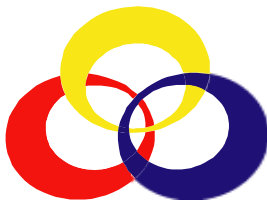
1-800-692-2515 Brookings 605-692-2515  
 1-800-858-5410 Wabasso 507-342-5126  
 1-877-542-2711 Pipestone 507-825-5274  
 1-800-858-5410 Tracy 507-629-3662  
 1-877-542-2711 Elkton 605-542-2711  
 1-877-542-2711 Flandreau 605-997-3797  
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 Deborah Kinner  
 Dianne Foster  
 Charity Kuehl  
 Carley Osland  
 Ann Fodness  
 Jessica Damm

**2011 Quick Tax Facts**

<b>Standard Deduction</b>	<b>2011</b>
Married filing joint	\$11,600
Single	5,800
Head of household	8,500
Married filing separately	5,800
Add for Age 65/Older	
Or Blind Married	1,150
Add for Age 65/Older	
Or Blind Unmarried	1,450
<b>Personal Exemption</b>	3,700
<b>Child Tax Credit</b>	1,000
<b>Auto Standard Mileage Rates - 2011</b>	
Business	51 cents
Charity Work	14 cents
Medical/Moving	19 cents
<b>Meal per Diem - 2011</b>	
Transportation Workers (Truck Drivers)/Overnight	\$46/Day
Other Overnight	\$30/Day
<b>Section 179 Deduction - 2011</b>	
Depreciation	\$500,000
<b>Elective Deferral Limits 401(k) - 2011</b>	
401(k)	16,500
SIMPLE Plan Limit	11,500
IRA/Roth IRA	16,500
<b>Catch-up 50 and Older - 2011</b>	
401(k)	5,500
SIMPLE	2,500
IRA/Roth IRA	5,500
<b>Annual Gift - 2011</b>	13,000



# Kinner & Company Ltd

Certified Public Accountants  
Taxes, QuickBooks & Investments

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Good morning,

Most of you are probably aware of the recent news that Keith Kinner, founder and owner of Kinner & Company Ltd, passed away unexpectedly in May. It was a shock to his family, the Kinner & Company team, and the communities in which he was known. The kindness outpoured by all of you in the following days and weeks was overwhelming, and we are truly thankful to have such supportive clients and operate in these wonderful communities.

In this seemingly uncertain time, rest assured that the Kinner & Company team is moving forward and maintaining our strong client service. Our team consists of skilled and seasoned individuals, many of whom have been with the company over ten years. It is most certainly a time of sorrow for all of us, but the company remains in very competent hands.

On a related note, we are pleased to announce that Keith's son and fellow CPA, Nathan, will be joining Kinner & Company this summer to take over many of Keith's responsibilities. Nathan is a 2004 graduate of Elkton High School and a 2007 graduate of Minnesota State University – Mankato where he received his bachelors' degrees in accounting and finance. In 2011, he received his master's degree in business taxation from the Carlson School of Management at the University of Minnesota.

Before joining Kinner & Company, Nathan lived in Bloomington, MN and worked nearly four years at KPMG LLP in downtown Minneapolis. KPMG is consistently billed as one of the best places to launch a career by Business Week, and is in Training Magazine's hall of fame for its focused efforts on development. He concentrated on tax compliance and accounting for income taxes for various entity types.

Although this is a very difficult time for Nathan and his family, he is excited to join the team and begin serving our clients. Anyone who talked to Keith for an extended time knew how proud he was of his children, and he would be extremely proud of the decision Nathan has made.

Join us in welcoming Nathan back to the community and into his new role at Kinner & Company! See the following page for a special note from Nathan as well.

Please feel free to contact us if you have any questions.

In the meantime...

...enjoy the summer!

The Kinner & Company Team

A note from Nathan...

In 1981 my dad packed up his wife and two small children and left the “big city” of Mankato to open up shop in Elkton, SD. Financially, he had next to nothing, but with hard work and client loyalty he was able to expand his business to the respected firm that it is today. Thirty years later, I am about to embark on my own journey, leaving the big city of Minneapolis and moving my young family back to our roots.

As I get to know all your families better, I would like to share a little about my own. I have been married to my wife, Lynae (Schoeneman), for four years. She is my high school sweetheart and is currently employed as an actuary, working with pension plans and other retirement benefits. We have a four-month old son, Adam, and are excited to raise him in the same community where we were raised.



I want you all to know my move is not forced. My long-range plan included a move back to the area. I planned on working with Dad for a few years, gradually learning specifics of what he did, and fully taking over when he retired. The Lord had a different plan, however, and with His help, the help of a well-established Kinner team, and my own hard work, I will do my best to fill Dad’s large shoes.

I know you all trusted Dad, and I hope you will grow to trust me as well. I will use the knowledge gained through my education, experience, and time watching Dad as I grew up to serve our clients in my new role at Kinner & Company. As my tribute to Dad, I will do my best to work hard, earn your respect, and enjoy working with you as much as he did. As your tribute to Dad, I hope you will continue your loyalty to Kinner & Company and help me learn how to best meet your financial needs.

Thank you for your sympathy, patience, and continued business during this difficult, but new and exciting, time.

Very truly yours,



Nathan Kinner