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RINA ALERT!

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Poor performance in LIFO? Consider electing out.

The poor state of the economy and most businesses income levels creates tax planning opportunities that should be considered. The use of LIFO inventories may be eliminated in future legislation but businesses with poor performance in 2008 or 2009 should consider voluntarily electing out of this accounting method. The negative impact, income recognition, would be spread over four years in most cases and with inventory costs going down, there could very well be a benefit in the year of election. Uniform capitalization rules (UCAP) are another area worthy of consideration for this potential treatment. If you have not fully embraced UCAP, a down year might be the right time to do so. This might also be the time to consider a conversion from cash basis to accrual basis as your overall method of accounting. There may be other areas of opportunity for you worth consideration. If you have questions, please contact your RINA representative.