

IEMS 326, Homework 4, Due 11/4/2011

For each problem, please write a few sentences summarizing your (tax) advice.

1. Newnan et al., chapter 12, #5. Then consider the following extensions:
  - a) Include the effects of a flat 9.5% state corporate tax and flat 5% state income tax.
  - b) Would the benefits of incorporation change if Jane decided to increase her salary to \$60,000? (Include the effects of extension a.)
  - c) What if Jane adopted a kid? This would make Jane a “Head of Household”. In this case her base tax would be \$5,837.50 and marginal tax rate 25% on income between \$42,650 and \$110,100. (Include the effects of extensions a and b.)
2. Newnan et al., chapter 12, #38
3. Newnan et al., chapter 12, #60