

Dehna, Inc. (a "C" corporation) is 100% owned by Ms. Jill Smith. Both Dehna, Inc. and Jill Smith are cash basis, calendar year taxpayers. In addition to her ownership of Dehna, Inc., Jill consistently earns substantial income from other sources, so she is in the marginal 35.0% federal tax bracket.

Dehna, Inc. had **\$150,000** of accumulated earnings and profits as of 12/31/2012 (the end of the prior tax year), and Dehna, Inc. can justify the accumulation of **\$400,000** of earnings and profits as of 12/31/2013. Dehna, Inc. had the following activity during 2013:

Received interest income from Wells Fargo.....	\$ 200,000
Received gross rental income from a building of..	\$ 500,000
Earned ordinary income from consulting of.....	\$ <u>50,000</u>
Gross income.....	\$ 750,000
Less depreciation on the building.....	(\$ 30,000)
Less property taxes on the building.....	(\$ 40,000)
Less insurance on the building.....	(\$ 20,000)
Less accounting & management fees for all other work on the corporation.....	(\$ <u>60,000</u> )
Corporate <b><u>taxable income</u></b> .....	<b><u>\$ 600,000</u></b>

It is now 12/31/2013, and you are meeting with Jill to advise her as to what steps, if any, she should take regarding the corporation. As an aside, Jill absolutely hates paying any more taxes than the absolute minimum she's legally required to pay.

**REQUIRED:**

- ( i) What, if anything, should be done on 31 December 2013?
- ( ii) What is Dehna, Inc.'s tax liability for 2013?
- (iii) What, if anything, should be done by 15 March 2014?