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Dear Valued Client,

With the end of a tumultuous year that has witnessed a tumbling real estate market, a world-wide credit crunch, a historically volatile stock market and as is reported in recent days an elaborate ponzi-scheme that has had a rippling effect on some big investors and major charitable organizations the last thing on people's minds is the reality of facing a large tax bill come April 15th. What makes this filing season even more interesting is the change in the White House that will be taking effect in 2009. With this change comes the possibility of new tax law changes. Below please find some year-end filing tips and planning opportunities that will hopefully make your life a little less taxing.

Consider Family Gifting: Because of the economic times you may be a little more reluctant to gift this year, but you may want to reconsider this. The fact that the stock market is slumping may help to be a viable estate tax planning opportunity. You can give up to $12,000 ($24,000 for married couples) a year without any tax consequences. So if you have stock that has fallen substantially, and you feel it has the ability to appreciate in the future, you may want to contemplate gifting it this year for different gift and estate tax purposes.

Consider Capital Losses: In general you can only deduct $3,000 of capital losses in excess of capital gains ($1,500 if married filing separately). One thing you should take into consideration in figuring what your capital gains are for the year is capital gain distributions. These are generally paid on mutual fund investments and are usually reported at the end of the year. Check with your investment advisor in considering if you have any capital gain distributions that may help offset any capital losses you have taken during the year. If you are considering selling a stock to buy it back immediately make sure you are aware of the wash sale rules. Under the wash sale rules if you repurchase the stock within 30 days of the previous sale the original loss will be disallowed. Another quick note is that capital gains and losses for tax purposes are only on realized gains or losses (meaning when they are sold or considered completely worthless).

Required Minimum Distributions Rules Change for 2009: On December 11th, the Senate approved the "Worker, Retiree and Employer Recovery Act" by unanimous consent, which was passed by the House on December 10th by unanimous consent. The Pension Act suspends the need to take required minimum distributions (those for people age 70 ½ or older) from qualified defined contribution plans and IRA's for calendar year 2009 only, and provides much needed funding relief for pension plans that have seen assets fall precipitously due to the stock market decline.

Consider a Charitable Donation: You always have the possibility to decrease your tax burden by giving to eligible tax exempt organizations throughout the year, and this does not always have to be in the form of cash. Look at cleaning out the closets to see if you have any non-cash charitable contributions that can be given away prior to year end. Whether it is in cash or property, make sure you get and keep receipts to substantiate this. Another tax strategy for individuals 70 ½ or older is the ability to make a tax free transfer from their IRA of up to $100,000 to a charity, as long as the money goes directly to the charity. Remember this amount will not be includible in income so you don't also get an itemized deduction for it.

Increased Depreciation Expensing: Businesses may be able to achieve a significant acceleration of deductions by buying business equipment, machinery, and most software this year, and placing it in service this year, rather than the next. That's because 50% bonus first-year depreciation and increased section 179 expensing limits under the Economic Stimulus Act of 2008 generally won't be available for property bought and placed in service next year.

Prepay Expenses and Defer Income: Though this is usually the most obvious of all tax planning techniques for cash basis taxpayers, some may be skeptical of these usual strategies in today's climate. For one, with the change in administrations, it is not guaranteed if tax rates will stay the same in 2009, and for another asking somebody to pay you next year when they have the ability to do so now may not be a wise decision. For those of you that would like to take advantage of these opportunities you may want to consider prepaying those allowable deductions for tax purposes by year end, or on the other end delaying a possible collection until after year end. One thing to consider for 2008 is that the IRS is allowing those who take the standard deduction a possible extra $500 worth of deductions to add on to this amount. This is eligible for those individuals that pay real estate taxes, and don't itemize their deductions. The amount allowable is the $500 or the amount paid for real estate taxes in 2008, whichever amount is less.

Stay Organized: This may seem like the most trivial of all tax planning techniques, but may prove to be one of the most beneficial. Not only will it enable us, the tax preparer, to prepare your return more efficiently, but it could also save you costly headaches with the IRS in the instance of an audit. The more organized you are the better prepared you will be to substantiate your deductions. The amount of time you're required to keep these records depends on the statute of limitations related to the specific item, so if you are not sure and you want to be safe we recommend requesting a record retention guide from our office.

We hope this newsletter finds each of you in good health and we wish each of you a joyous holiday season and a prosperous year in 2009. Please contact our office if you would like to discuss tax planning opportunities for the upcoming tax season, or if you have any questions or concerns on the information above.