

## **Pre-Scheduled Appointment**

Date: \_\_\_\_\_ Time: \_\_\_\_\_

January 2010

Dear <@OGMSalutat>,

We've made a few changes this year, which are listed below. These changes are designed to meet the three goals of: a) preparing your return accurately, b) minimizing your tax liability, and c) making the process as smooth as possible. If you have a scheduling conflict with the appointment listed for you above, simply contact our offices to make alternative arrangements. And as always, thank you for choosing our firm – we appreciate the opportunity to serve you.

- **Save a trip with electronic pickup.** During your tax interview, we'll ask if you'd like to have summary and signature forms sent to you via secure e-mail when your return is complete. If your numbers look in order, simply a) sign and send back to us via secure e-mail (see below), fax, or mail, b) pay online at our website or via mail, and c) we'll send your return copies in PDF via secure e-mail. (Of course, you always have the options of meeting with us in person, receiving a paper copy of your return, and having any questions answered before filing your return.)
- **Save \$400 if your return is audited.** It's no secret that the IRS has increased the intensity of its enforcement activity lately. For \$50 at the time your return is delivered, you can purchase \$450 worth of tax representation services on your return (three hours at our normal rate of \$150 per hour).
- **Send us sensitive files securely via our website.** Unless you've taken special measures, the texts of your e-mails and their attachments are sent unprotected across the Internet. If you are electronically sending information like SSN's, broker statements, W-2's, etc., we strongly urge you to use the secure file upload feature on our website. Simply go to the "For Clients" page, and click on the name of the intended recipient.
- **Missing information will stall a return.** Because one part of a return impacts other parts, we won't officially begin working on your return until all of your information has been received. This makes sure we see the whole picture at the time your return is prepared, increasing accuracy, keeping your tax liability low, and keeping your preparation fee down too. If missing items are identified during your tax interview, simply let us know once you've sent the last one, and we'll get to work on fitting all the pieces together optimally.

We are here to help you make good financial decisions, so during your appointment, please feel free to bring up any financial, tax, investing or other questions on your mind. For those bigger items, we have designed the ability to schedule a follow-up appointment for you. Also, don't forget that we offer a half-hour of financial advice free of charge to you during the year. Our full abilities are at your disposal, and it is our earnest prayer that 2010 be a good year for you.

Sincerely,

*David G. Simmons, CPA*

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# Tax Sense

The tax law has its comings and goings, as Congress introduces new code sections while taking others away. Many tax saving provisions are set to expire in 2011 (such as tax brackets increasing 3-5%, the child tax credit decreasing from \$1,000 per child to \$500, and capital gains rates increasing between 5-10%). But there are some new tax savers (such as an expanded energy efficient home credit, sales tax deduction for new car purchases, and expanded credit for college costs). The general tone at the IRS, however, has shifted to collection, and they are questioning more than before. But with the proper records, there is no need to leave any applicable deduction, and therefore tax savings, behind. Here are a few tax savings tips for you to consider:

- **Convert your Traditional IRA to a Roth IRA**—Starting in 2010, there are no longer income limits to prevent you converting a Traditional IRA to a Roth IRA. Some reasons a conversion might be a good idea include: avoiding required minimum distributions, offsetting against otherwise unusable tax losses, preempting tax bracket increases in 2011 and beyond, and taking advantage of temporary market declines. If you'd like to evaluate if a Roth conversion makes sense for you, just let us know.
- **Good business recordkeeping is essential**—The IRS has been taking an increased look at Schedule C filers (small businesses). Areas they are questioning include: Is the business really a hobby? Is there unreported income? Should independent contractors really be treated as employees? Are “miscellaneous deductions” unusually large? Is there proper support for phone, auto, or entertainment expenses? If you're unsure whether your recordkeeping is adequate, don't hesitate to ask during your tax interview.
- **College book costs now count**—In the past, generally only college tuition was eligible for special education tax credits/deduction. For 2009 and 2010, eligible costs now include books as well, which makes a lot more sense. Plus, the education credit is larger (now \$2,500), is partially refundable (meaning it can not only reduce tax, but even generate a refund), and can be taken for four years (previously the best tax credit was for only the first two years). So be sure to gather up those education costs to take advantage of this change.
- **The home energy credit is back**—Lapsed in 2008, the home energy credit is back in 2009 and 2010 and is now bigger: \$1,500 over the two years. Qualified items include insulation, windows, skylights, doors, electric heat pumps, central air, and more. In general, 30% of your cost (including labor in some cases) will go towards the credit (meaning you'll max it out at \$5,000 in costs). Appliances, like dishwashers and refrigerators, do not count, however.
- **Some debt cancellation is not taxable**—In general, when you have debt cancelled (a credit card balance, for instance), the amount cancelled is treated as taxable income to you. However, there is a lesser known provision that states if you are “insolvent” (meaning, your liabilities exceed your assets), you can avoid tax on all or a part of that cancelled debt. If you find yourself in this scenario, let us know and we can see if you qualify for this special treatment.

## Tax Documents to Bring to Interview

The following pages contain a tax organizer personalized for you based on your information from last year. However, you may have opened new accounts or had transactions not related to last year's information, so we've provided this list for you to double-check if there's anything else we should include on your return. If you find something on the list below which doesn't have a place in the organizer, simply bring it with you to the interview.

- **Income:** W-2's, pension/annuity income (Form 1099-R), Social Security Income (Form SSA-1099), non-employee compensation (Form 1099-MISC), and unemployment benefits (Form 1099-G)
- **Other Income:** Form 1099-INT and 1099-DIV for interest and dividends in savings accounts, money market accounts, stocks, bonds, etc.
- **Retirement Distributions:** From pension plans, IRA's, KEOGH's, etc. Copy of any Form 1099's regarding distributions even if non-taxable or proceeds were rolled over into another plan.
- **Stock Sales:** Form 1099-B and related documents for purchase and sale of stocks, bonds, and/or mutual funds.
- **Rental Property:** Income and expenses. Copy of invoices of any major repairs.
- **Self-Employed:** Income and expenses, including mileage information for business automobile travel and health insurance premiums.
- **K-1's:** from partnerships, S corporations, estates, and trusts.
- **IRA:** contributions, including statements of balances in your accounts as of the end of the year.
- **Itemized deductions:** Medical expenses, real estate taxes, home mortgage interest (Form 1098), charitable contributions (cash and non-cash), employee business expenses.
- **Child Care Expenses:** Day care, day camps, and other.
- **Estimated Payments:** Documentation on checks paid to federal and state for the tax year.
- **Purchase/Refinance Residence:** Copy of settlement sheet.
- **Leased Business Automobile:** Copy of the lease agreement and the value of the automobile on the lease date.
- **Bank Account Information:** Routing and account number if you'd like your refund directly deposited.
- **Tuition and Fees:** For college expenses for students enrolled on at least half-time basis.