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2011 looms on the horizon and thoughts of **Tax Time** will soon be upon us. The strategy for year-end tax planning is:

**Direct income into the year where it will be taxed at lower rates and
Direct deductions into a year where your income will be taxed at a higher
rate.**

In 2001, Congress passed laws to slowly revive the economy over a 10 year period. Taxes were lowered; the marriage penalty eliminated, Child Tax Credit increased and certain tax savings were phased-in. In 2011, the tax rates and rules are scheduled to revert back to pre-2001 figures.

2011 will undoubtedly see many changes if Congress does not act to slow this reversion to 2001 rates. Tax planning is back and we stay informed and ready to serve you.

2010 Mileage Rates:

Charity miles	14¢	
Medical miles	16.5¢	
Business miles	50¢	Requires written substantiation.

Making Work Pay Credit is available for 2010; however this is the last year. \$400 per person, \$800 on a joint tax return but earned income is the qualifier.

New for 2010 –

The costs of buying, training, and maintaining a service animal to assist you will be deductible as a medical expense, subject to 7.5% of your adjusted gross income.

Employer health plans are now allowed to extend coverage for children up to age 27.

Small employers can receive a tax credit for providing health insurance for employees.

Adoption credit rules were greatly eased.

Homeowners victimized by Chinese drywall can take a casualty loss on the decrease in your home's value.

Long-time homeowners and First-time homeowners may still qualify for credits if they purchased a new home before May 1, 2010 and closed before October 1, 2010.

ROTH Conversions in 2010

Before 2010, only taxpayers with incomes under \$100,000 could convert a regular IRA to a Roth by paying tax on the amount converted.

Beginning in 2010, any taxpayer, regardless of income, can convert to a Roth by paying tax on the amount converted.

In 2010 there is a special opportunity allowing conversions in 2010 to be taxed ½ in 2011 and 1/2 in 2012, based upon the taxpayer's election.

2010 is the last year for many expiring tax benefits, including:

- Energy credits for home improvements.
- Zero capital gains rates for certain tax brackets.
- Roth conversion spread over 2 years.
- Credits for hybrid automobile purchases.
- Deduction of mortgage insurance premiums.
- American Opportunity credit for higher education.
- Use of 529 plans to buy computers.
- No phase-out of deductions or exemptions for higher income taxpayers.

The time to get organized is NOW!

Begin accumulating tax information today. After the first of the year, watch your mail and collect the following items:

W-2 Forms, include last pay stub for vital information.

1099's – Interest, dividends, retirement, Social Security, unemployment compensation.

1098 – Mortgage statement, including real estate taxes paid. (Pay January's house note in December for interest deduction and remind escrow to pay real estate taxes by year end.)

Brokerage statements – Basis information on assets sold.

Purchase and sale information on assets sold.

Child Care Provider information – name, address, social security number of payee.

Records on any Small Business or rental property you owned.

K-1's – Partnership or Sub-Chapter S Corporation ownership.

IRA year end statements.

Any records for other income received.

Records for student loans or tuition and fees statements.

Details on all noncash donations greater than \$500 – include date, place, fair market value and original cost.

Energy saving home improvements – storm windows and doors, roofs, heating and a/c, etc.

Direct Deposit Information – for anticipated refunds to be automatically deposited into your account.

Again, tax planning is back! Plan on spending some additional time to review for **2011** while we prepare your 2010 taxes. We don't want any surprises this time next year. It will be good time, well-spent.

We are here for you. Should you have any concerns regarding 2010, please contact us immediately for an appointment. There is still time in 2010 to address your issues but we must act now. We look forward to hearing from you.

Sincerely,