



## ROXANNE'S TAX SERVICE QUARTERLY NEWSLETTER

Hi, everyone. Thanks for the comments on the previous newsletter. I'm glad that the newsletter was helpful to you. If you ever have recommendations/requests on tax law/estate planning/financial planning that you believe I should cover, please let me know. I want to incorporate your issues within these newsletters because they may be helpful to my other clients out there. Remember, please contact me with your questions at 618-558-2583 or via e-mail at [roxanne@roxannestaxservice.com](mailto:roxanne@roxannestaxservice.com), and feel free to pass this newsletter out to your friends, family, and coworkers. Your references and trust are what keep me in business from year to year. My previous newsletter(s) will be posted at [roxannestaxservice.com](http://roxannestaxservice.com). This newsletter is a bit longer; I'm sure I could have cut some items out of it, but I feel they're important to most of you at this point. As new tax law comes into effect, I'll update you on that as well.

For the bad news. The rates need to go up this year. Sorry, but Congress has told the IRS it can charge me for my employer ID number, and I need to get a new one. It's required for all who e-file taxes. The good news is that I don't have to worry about annual tests like other tax preparers since I'm an attorney, so I will be saving you money in that arena.

As many of you know, I haven't raised rates in a couple of years, and I actually charged less last year, primarily because of the economy, than I have in the past. Don't worry – I have no intention of raising them a ton; probably between \$10-\$20 per return. This should cover the additional expenses I've incurred. Plan on rate hikes for the next few years – H&R and Jackson Hewitt are charging about \$250 for a 1040EZ with maybe one state, and you're getting an attorney to boot who's here all tax year and who doesn't charge you for questions, etc. However, all of you know my philosophy is to provide great legal and tax service at an affordable price, and I'm going to continue with that philosophy.

### Energy Saving Improvements to Homes

If you're planning to make home improvements that are energy-efficient, you need to have everything installed by December 31, 2010. The credit is due to expire after that date. Energy-efficient improvements include skylights, outside doors, windows, insulation, air conditioners, special asphalt roofs, water heaters, and furnaces.

### Minimum Required Distributions

For my clients who are 70 ½ or are reaching that age, keep in mind that the tax code requires that you start withdrawing at least a minimum amount from your traditional IRAs and 401(k)s. There are numerous requirements and actuarial tables that need to be looked at to determine what your minimum required distribution is. Hopefully your mutual fund companies/banks have started getting in touch with you concerning this issue. If not, please call me, and we'll take a look at your personal situation.

### College Savings Plans

There are numerous ways to save money for your kids for college. One avenue is a savings account. However, the interest on savings accounts is taxable, so it's not necessarily one of the best options out there.

Another type of savings plan is a college savings plan which is specifically designed for this purpose. There are a number of ways to invest in these plans. You can invest through a broker into a mutual fund, or you can invest in a specific state plan. Personally, the Illinois Bright Start program is the one I used for my kids, and I used the age-based plan for both. The returns obviously weren't great during the last economic downturn, but my son should have enough money to get through a couple of years of school at least. The good news is that, as long as the money is used for college, the gains are tax free. Keep in mind, though, that you should always pay yourselves (retirement and savings) before you invest in the kids. The kids will still have Pell grants, student loans, and other options available for them when they attend college. You, on the other hand, will most likely not have social security, so you'll have to rely on what you've saved to live on.

### Rental Properties

Many of you own rental properties, which can be great investment tools if you have good tenants. They're also a great idea if you're looking for something to decrease your tax income. With most rental properties, you don't normally make more than the depreciation, mortgage interest, and property taxes, which means there are usually tax write-offs. However, when your income levels start reaching \$150,000, you have reductions in the amount of tax write-offs you may have been able to claim in the past, and when your income reaches approximately \$175,000, you are no longer able to use any of the tax write-offs. At this point, it's advisable to sell the rental property as it's really not beneficial to you anymore.

### Cancellation of Debt

This is probably going to become more of an issue for us than it has been in the past. Keep in mind that when credit card companies or banks negotiate a settlement with you, they are required to publish a 1099-C, cancellation of debt, which will be the difference between your settlement and what you actually owed the company. This is income to you, and I need this documentation in order to prepare your taxes. I know, you're saying that the whole point you needed the debt cancellation was because you couldn't afford to pay it. The good news is that the income, while taxable, is still going to be less than what you would have owed if you hadn't requested the cancellation. The bad news, yes, is it's still considered income.

### Sole Proprietors

Being a small business owner myself, I know how important retirement planning is for us. Don't forget that now is the time start your solo 401(k) started if you're going to do one. It has to be accomplished not later than 31 December for 2010. Also, you can't fund a solo 401(k) for more than you've earned over the past year, and the limit is \$16,500, unless you're over age 50, in which case you can contribute up to \$21,500. Furthermore, if you work for another company and have another 401(k) or TSP, the total that you can put into either of these combined is \$16,500 or \$21,500. However, you can put additional money into a ROTH or traditional IRA as well. The tax law is confusing on this; please contact me with your questions.

Also, if you're contemplating creating your own business, please, please, please contact me. The best way to accomplish starting a business is with a ton of planning in advance, and that includes getting me into the mix early. I can help you determine what you can and can't write off for the business. Most of the times, those of us who start businesses start out by losing money the first couple of years. If you're not losing money for approximately the first two years, I'm going to really hound you to get all the receipts for what you spent over the year. It's much easier if we get the software programs up and running early so you can keep track. Then we'll have the deductions, and you won't be forced to see me more than once or twice. It will also make me very happy as I'll be able to finalize your return the first time around.

### Tax Documents

Now is the time to start considering what tax documentation you need to give me. I have a decent list on [roxannetaxservice.com](http://roxannetaxservice.com) that will give you a starting point. If anything major has changed in your lives, e.g., marriage, divorce, children have moved out, new child has been born, you've moved, you've retired, etc., please make sure that I know about that, too. If you have any questions about what types of items I need, please contact me. If you've bought a house in the last year, I'll need to take a look at your HUD-1, the final purchasing agreement with all the numbers on it, in order to determine if you qualify for the homeowner credit that was in effect and to see what might be deductible for tax purposes, e.g., VA funding fees, etc.

As I said earlier, thanks for the continued trust and support. Without each and every one of you, there would be no Roxanne's Tax Service. I appreciate each and every one of you, especially the ones who have been continually pushing me to improve and advertise my service with suggestions concerning writing a newsletter and passing out more business cards. Keep in mind that I never have a problem answering any questions, performing tax calculations to make sure you don't owe too much for the upcoming year (based on prior year calculations, of course) issues with the IRS or the states, or any other issues you may have. Don't ever hesitate to call.