

JANUARY 2012 NEWSLETTER



TAX NEWS

Stop Paying Penalties!

The IRS increased their penalty for TIN/Name mismatches to \$100 per mismatch. TINCheck.com is an essential tool in identifying mismatch errors prior to filing tax returns, thus increasing company efficiency and profitability. Continue reading to learn more about how TINCheck can help your company.

NEWS: Recent Penalty Increases

Implemented last year, the "Small Business Jobs and Credit Act of 2010" increases the penalties for failure to file a correct information return. All penalties doubled per mismatch, and all yearly maximums tripled, with some even quadrupling. This provision applies to information returns required to be filed on or after January 1, 2011.

TINCheck Features

Register online for a free trial account, and receive 10 free TIN/Name verifications. TINCheck features a user friendly interactive interface. A user simply logs in with a username and password, and instantly gains access to multiple verification sources in one place. In addition to accessing TINCheck via web browser, users have the option of integrating the API/web service into an existing accounts payable system allowing your company to seamlessly verify information while entering a new vendor into your database. TINCheck simultaneously checks:

USPS Address Validation

Automatically validate an address (if provided) using the USPS Address Validation database.

The SSA's Death Master File benefits

The Social Security Administration's Death Master File (DMF) is a database of death notices for individuals. TINCheck verifies names against the DMF, which helps companies identify and prevent identity fraud.

The US Treasury's OFAC/SDN list

Alerts payers of a name or company that might be listed as a terrorist or narcotics trafficker on the Office of Foreign Assets Control (OFAC) or Specially Designated Nationals (SDN) lists.

Banned Patron Lists for Casinos

Casinos typically utilize TINCheck to check the exclusion lists for NV, MS, IL, MO & NJ for banned patrons.

Denied Persons List (DPL)

The DPL is a list of individuals and entities that have been denied export privileges. Any dealings with a party on this list is strictly prohibited.

Social Security Maximum Earnings for 2012 is \$110,100.

FORM 1099-C

REPORTING DEBT DISCHARGE INCOME BY LIZA CORBIER

The IRS may consider a debt written off or settled by a creditor as taxable income. Form 1099-C is used to report the cancellation of debt of an individual or business from a taxpayer's personal residence, rental properties, business debts or personal debts. Any financial institution that forgives or writes off \$600 or more of a debt's principal must send the taxpayer and the IRS a Form 1099-C at the end of the tax year. Taxpayers who receive a Form 1099-C need to:

- Determine the type of debt (i.e., rental, personal, business).
- Determine if the debt is recourse or nonrecourse debt to the taxpayer.
- Determine if the income can be excluded from the taxpayer's income tax return.
- Determine what forms are needed for reporting purposes.

Example: Jeff and Nancy Downsizer had some major setbacks in 2010. Nancy lost her job due to corporate downsizing. Jeff's company reduced his hours and froze any pay raises. The Downsizers owned a residential rental property and evicted their last tenant due to nonpayment of the rent. The Downsizers also own their own home. The fact that they had two mortgages and reduced income placed a burden on them financially. The Downsizers met with their mortgage lenders to see if there were any steps the couple could take to relieve some of the burden. The lenders offered several suggestions. The first was to arrange a deed in lieu of foreclosure on either their residence or their rental property. Under this plan, the couple would have to relinquish their residence or the rental to the bank in satisfaction of all or most of the mortgage balance. This arrangement would be based on the FMV of the property. Because the debt owed to the bank is recourse debt, the taxpayer is personally liable for the debt against the property. The taxpayers would recognize debt discharge income to the extent the principal balance outstanding is in excess of the FMV. The couple's second option for reducing their burden was to arrange a debt modification. The bank would reduce the balance outstanding on the mortgage of the rental, the residence, or both. No matter which option they choose, the couple will have debt discharge income.

The Downsizers decided to relinquish their rental property back to the bank. The principal balance outstanding on the mortgage was \$325,000 and the FMV was \$225,000. The Downsizers will receive a Form 1099-C for the difference between the FMV and the principal balance outstanding on their mortgage.

The Downsizers must now use the following steps to report the Form 1099-C on their personal return:

- **Step 1:** Determine the type of debt. The Downsizers decided to relinquish their rental property. The amount of discharge will be from rental property. Any income that is not eligible to be excluded by the taxpayers is ordinary income. It needs to be reported on Form 1040, Schedule E, line 3, as rents received.
- **Step 2:** Determine if the debt is recourse or nonrecourse to the taxpayers. Is the taxpayer personally liable? If box 5 on Form 1099-C is checked, the amount of debt discharged is recourse debt and may be taxable.
- **Step 3:** Determine if the taxpayer can exclude the income. Publication 4681 insolvency worksheets are used to determine if the taxpayers are insolvent. Cancellation of indebtedness income is not taxable to the extent the taxpayers are insolvent. Form 982 is used to report the excluded debt. Taxpayers who have discharge of debt from a rental property must either meet the exception for bankruptcy or insolvency. If they don't meet either of these exceptions, the amount of debt discharge is included as ordinary income in the year of discharge. Jeff and Nancy Downsizer have filled out their insolvency worksheet and have returned the information to their income tax professional. Their completed insolvency worksheet is on page 8.
- **Step 4:** Determine what forms are required. If the Downsizers are either bankrupt or insolvent, they'll report the exclusion on Form 982. The Form 982 will be attached to the Downsizers' Form 1040.

Based on the information the Downsizers provided, their tax professional has determined that the couple's insolvency exceeds the amount of the debt discharge reported on the Form 1099-C. Therefore, they are able to exclude the entire amount of debt discharge income that was reported to them by the mortgage lender. To show why the \$100,000 was excluded and to reduce their tax liability, the Downsizers must fill out Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*.

The Downsizers are able to exclude the entire amount of debt discharge income from their tax return because their insolvency is greater than the debt discharge amount. However, because they are not including the \$100,000 discharge income as ordinary income, they must reduce the basis in their remaining assets. Code §108 includes the following ordering rules for the basis reduction of assets after exclusion of income:

1. Real property used in a trade or business (other than inventory) or held for investment that secured the debt.
2. Personal property used in a trade or business or held for investment (other than inventory, accounts receivable, and notes receivable) that secured the debt.
3. Any excess of the amount excluded from gross income over the adjustments in items 1 and 2 reduces the basis of the remaining trade or business property (other than inventory, accounts receivable, or notes receivable) and property held for investment.
4. Any excess of the amount excluded from gross income over the adjustments in items 1–3 reduces the adjusted basis of inventory (including real property held as inventory), accounts receivable, and notes receivable.
5. Any excess of the amount excluded from gross income over the adjustments in items 1–4 reduces the adjusted basis of any remaining property.

According to the general rule for §108(b)(2)(E), the Downsizers must reduce the basis in their remaining assets as of the first day of the taxable year following the taxable year that the taxpayers excluded cancellation of debt income from gross income.

TAX PLANNING FOR INDIVIDUALS

YOU PROBABLY DO A LOT OF PLANNING in your everyday life. You plan vacations, meetings, even trips to the grocery store. But how much time do you spend on income-tax planning? If you're like most taxpayers, you probably devote very little time to mapping out strategies for reducing your tax obligation. That may be a costly mistake.

LOOK AT YOUR TAX SITUATION

Your first planning step is to understand your personal tax situation. Take time to review your filing status, the number of exemptions you can claim, your marginal tax rate, and how the alternative minimum tax (AMT) may affect you.

FILING STATUS. The tax rate schedule you use depends on whether you qualify to file your return as: (1) married filing jointly (or a surviving spouse), (2) head of household, (3) single, or (4) married filing a separate return. The same six tax rates apply to each filing status, but the related brackets vary considerably, in the individual tax rate schedules.

Filing as a head-of-household taxpayer results in a lower income-tax liability than filing as a single taxpayer. Why? The tax brackets are more favorable. And there are certain other advantages associated with the head-of-household filing status, such as a larger standard deduction and less restrictive income limits on certain deductions and credits. Joint returns usually produce the lowest tax liability for married couples.

- ◆ However, filing separate returns may be to a married couple's advantage if, for example, one spouse has significant medical or miscellaneous expenses, which are subject to deduction floors based on adjusted gross income (AGI). More of the expenses may be deductible on a separate return filed by a spouse whose AGI is significantly lower than the couple's combined AGI.
- ◆ Don't overlook the possibility of filing as a head-of-household taxpayer if you are unmarried and you pay more than half the cost of keeping up a home for yourself and your child, grandchild, or another qualifying relative. Dependent parents don't necessarily have to live with you. For example, you might qualify as head of household if you support a parent living in a nursing home.

EXEMPTIONS. You may deduct personal exemptions for yourself, your spouse, and your dependents. Each exemption you're allowed trims an estimated \$3,800 from your taxable income in 2012. The exemption amount can change from year to year due to IRS inflation adjustments.

Do you have a child in college? Just because your student is not financially independent, don't automatically assume he or she still qualifies as your dependent. The tax law has some very specific requirements. For example, your child must be younger than 24 as of year-end, be enrolled as a full-time student for some part of at least five calendar months during the year, and live with you for more than half the year (treating temporary absences from home due to education, illness, military service, and certain other special circumstances as time spent living with you). Another requirement: Your child cannot provide more than half of his or her own support.

- ◆ Pay particular attention to the support test, especially if your child receives financial aid. Scholarship money is excluded from the support calculation. And, while support can come from loan proceeds, if your child is obligated to repay a student loan, the money is considered support your child provides.

- ◆ Sometimes it's better not to claim a dependency deduction for a child in college. This could be the case if you intend to chip in for your child's tuition but won't be able to claim an education credit for your expense because your income is too high. Assuming your child has enough taxable income, consider having your child pay the tuition (even if the money comes from you) and take the education credit. You'll have to pass up the exemption, but, dollar for dollar, the credit may save more taxes.

MARGINAL TAX RATE. Your marginal tax rate is essentially the rate you pay on your highest taxed income. You can use your marginal rate for tax planning purposes.

Knowing your marginal rate also allows you to estimate the tax benefit of deducting an additional expense. In the 33% bracket, for example, a \$2,000 deduction saves \$660 of income tax.

WILL YOU OWE AMT? The AMT system adds another layer of complexity to your tax planning. The number of taxpayers subject to AMT has been steadily increasing. Even if you haven't owed AMT before, you shouldn't overlook the possibility that you'll have to pay additional taxes of the AMT.

Calculating your potential AMT liability is complicated. Your taxable income has to be recomputed under special rules. Many deductions aren't allowed, and certain otherwise nontaxable income has to be included in AMT income. If your AMT income is more than the AMT exemption amount for your filing status, you'll owe AMT – in addition to your regular taxes. The AMT rates are 26% and 28%, and the AMT exemptions phase out at higher levels of income.

Here are some planning moves that could be helpful if you anticipate a potential AMT problem.

- ◆ Before investing in private activity municipal bonds, check their tax status. Although normally tax exempt for regular income-tax purposes, the interest on most private activity bonds has to be included in AMT income. Interest on private activity bonds originally issued (or, in certain cases, reissued) in 2009 and 2010 is an exception.
- ◆ It may be to your advantage to accelerate income into the current year if a projection shows you will be subject to AMT and your marginal tax rate for regular tax purposes is higher than the 28% maximum AMT rate. But tax the time value of money into account before accelerating income, since you would pay taxes on the income sooner.
- ◆ Where in AMT liability is anticipated, you might also consider deferring late-year expenses that aren't deductible for AMT purposes to next year. Examples include charitable contributions, investment fees, and taxes.

TAXABLE OR NOT?

To plan for your taxes, you have to know what items must be included in your gross income. Most times, it's clear cut. But not always.

RENTAL PROPERTY. You don't have to include security deposits you receive from tenants in your rental income if you intend to return the money to the tenants when their lease expire. But if you end up not returning a deposit because a tenant breaches the lease agreement, the amount you keep is includable in your rental income that year.

SCHOLARSHIPS. A scholarship may be tax free if the student receiving the aid is a "candidate for a degree" and the funds are used for tuition or for required course-related fees, books, supplies, and equipment. However, scholarship money spent for room, board, travel and other expenses is taxable. And scholarships that are payments for past, present, or future teaching, research, or other services, are also considered taxable income. In some cases, only part of a scholarship will be taxable and the rest will be tax free.

LIFE INSURANCE. With certain exceptions, life insurance death benefits are income-tax free to the beneficiary. Any increase in the cash value of permanent life insurance is generally tax deferred.

What happens from a tax perspective if you choose to access the value of a life insurance policy? The withdrawn amount won't be taxed if it's less than the amount you've paid into the policy. However, if the amount you withdraw is more than your cost – or if you surrender the policy for cash – you'll have to include the excess amount in your income. Taking a policy loan from a policy that isn't classified as a modified endowment contract generally does not result in taxable income.

SOCIAL SECURITY. It sometimes comes as a surprise to new retirees that their Social Security benefits could be taxable. Taxability depends on "provisional income" – defined as AGI with certain modifications plus tax-exempt interest plus half of the Social Security benefits received during the year.

Single retirees with provisional income between \$25,000 and \$34,000 and married couples with provisional income between \$32,000 and \$44,000 are taxed on up to 50% of their Social Security benefits. Up to 85% of your benefits will be taxable if your provisional income exceeds the top of the range.

- ◆ Taking certain steps to keep your provisional income low can help you minimize the tax hit on your benefits. For example, consider paying off debt with invested funds that are earning interest or dividend income. Or you might consider shifting some assets that you won't need in the short term to growth-oriented stocks that don't pay dividends. Of course, you'll want to carefully consider any such steps in the context of your overall financial planning.

HOME SALE PROFIT. Homeowners who sell their principal residence may exclude up to \$250,000 (\$500,000 if married filing jointly) of capital gain from income. The capital gain exclusion is available only once every two years, and you must have owned and used the home as your principal residence for at least two of the five years immediately before the sale. A partial exclusion is available if you fail to meet the requirements due to a change in employment, health problems, or certain other unforeseen circumstances.

YOUR INVESTMENT TRANSACTIONS

It can pay to watch the calendar when you're contemplating a potential sale of an appreciated security. Your net capital gain will be taxed at a maximum rate of 15% in 2012 if you've held the investment for more than one year (long term). In contrast, short-term gains (on investments held one year or less) are taxed at ordinary tax rates as high as 35% in 2012.

Since you risk a price decline by holding an investment, you shouldn't let tax considerations take priority over your better judgment.

CAPITAL LOSSES. Nobody likes invest losses, but they can help you at tax time. You can use capital losses to offset capital gains on other investment transactions plus an additional \$3,000 of ordinary income annual (\$1,500 if you are married filing separately). Capital losses that aren't deductible because of these limitations may be carried forward for deduction in future tax years, subject to the same restrictions.

KNOW YOUR BASIS. To figure your capital gain or loss on the sale of an investment, you have to know your "adjusted basis" in the investment. Your basis in securities you purchase is generally equal to your cost.

- ◆ The basis of inherited securities is usually their market value on the date of death (or an alternate valuation date, generally six months later). Due to this basis "step-up" rule, price appreciation that occurred while the deceased person owned the shares escapes capital gains tax.
- ◆ That said, you should exercise caution if you're selling securities you inherited from someone who died in 2010. The estate's executor or personal representative may have elected to apply "modified carryover basis" rules to certain estate property. Should that be the case, it's possible your basis in the inherited securities will be lower than their date-of-death value – and that would increase your taxable capital gain.

CAPTURE A LOW DIVIDEND RATE. Through 2012, you'll generally pay tax on qualified dividends at a maximum rate of 15%. Qualified dividends are tax free if, absent the tax break, they'd be subject to ordinary income tax at a 10% or 15% rate. For dividends paid on stock to be considered qualified, you must have held the stock for a minimum period (generally, for more than 60 days during the 121-day period beginning 60 days before the stock's ex-dividend date). Other requirements apply.

NEW SURTAX. Keep in mind that a new surtax on investment income is slated to take effect in 2013. The surtax, referred to as the "unearned income Medicare contribution" tax, will be imposed at a rate of 3.8% on the lesser of (1) net investment income for the year or (2) the amount by which modified AGI exceeds: \$200,000 (single and head of household), \$250,000 (married filing jointly), or \$125,000 (married filing separately).

SAVING FOR RETIREMENT

Making wise use of any tax-favored accounts you're eligible for can help you meet your retirement savings goals.

CONTRIBUTE TO YOUR EMPLOYER'S PLAN. You can save for your retirement and postpone paying taxes on money you invest pretax in a 401(k) or other tax-deferred retirement savings plan. Income taxes won't be due until you receive plan benefits. The 2011 maximum 401(k) salary deferral of \$16,500 (\$22,000 if you're eligible to make catch-up contributions) is subject to potential inflation adjustment for 2012. Other plan limits may apply.

Your 401(k) account's investment earnings – interest, dividends, and capital gains – are also tax deferred. You won't pay tax on them until you withdraw money from the plan. With no taxes taken out, your savings can potentially grow and compound more

rapidly.

IRAS. For 2012, contributions to individual retirement accounts – traditional and Roth combined – can be as much as \$5,000 (\$6,000 if you are age 50 or older). Your contributions to a traditional IRA will be fully tax deductible if you (and your spouse, if you're married) do not actively participate in an employer-sponsored retirement plan. With active plan participation, the availability of a deduction for a traditional IRA contribution depends on your modified AGI.

In 2012, a plan participant's deduction for an IRA contribution is phased out with modified AGI of \$58,000 - \$68,000 for single head-of-household filers, \$92,000 - \$112,000 for joint filers, and \$0 - \$10,000 for a married person filing separately. The phaseout range for a married person who does not participate in an employer's plan but whose spouse does participate in a plan is \$173,000 to \$183,000 of joint AGI. (These are estimated inflation-adjusted ranges.)

- ◆ Generally, you aren't allowed to make IRA contributions that exceed your earned income. However, as a married person filing jointly, you can contribute to an IRA even if you don't have earnings yourself, assuming combined IRA contributions for you and your spouse don't exceed the taxable earnings on your joint return.

SHOULD YOU CHOOSE A ROTH? Roth IRAs and Roth accounts in 401(k), 403(b), and 457(b) governmental plans also offer tax-deferred earnings. Even better, investors can avoid taxes on Roth investment earnings *permanently* by not taking withdrawals until a five-year period has elapsed and they've reached age 59 ½ (or in other limited circumstances). Their potential for tax-free growth makes Roth accounts a powerful planning tool. However, contributing to a Roth account provides no upfront tax benefit.

Annual contributions to a Roth IRA are restricted for high earners. For 2012, the allowable Roth IRA contribution is phased out with modified AGI between \$110,000 and \$125,000 (single or head of household); \$173,000 and \$183,000 (married filing jointly); and \$0 and \$10,000 (married filing separately). (These are estimated inflation-adjusted ranges).

These income limitations do not apply to Roth conversions. You may convert a traditional IRA to a Roth IRA regardless of income. Similarly, some employer plans allow participants to convert eligible distributions from regular pretax accounts to Roth accounts within the plan. Since a Roth conversion triggers income taxes on all previously untaxed conversion amounts, the decision to convert should be made carefully.

- ◆ If you make a nondeductible Roth IRA contribution and later realize you need the deduction that a contribution to a traditional IRA provides, you can change your mind and turn that Roth IRA contribution into a traditional IRA contribution by "recharacterizing" the contribution. Certain time limits and other requirements apply.
- ◆ Similarly, if you determine that a Roth conversion you made earlier in the year wasn't a tax-wise decision – which could happen, for example, if the IRA's value dropped since the conversion, and you'll have to pay tax on value that you no longer have – you can undo the Roth conversion by recharacterizing the transaction, thus changing the account back into a traditional IRA. Again, certain time limits and requirements apply.

REQUIRED MINIMUM DISTRIBUTIONS. After you reach age 70 ½, you generally must begin taking required minimum distributions (RMDs) from tax-favored employer plans and traditional IRAs. The amount of each RMD is figured using an IRS life-expectancy-based table. Roth IRAs are an exception: There's no requirement to withdraw minimum amounts from your Roth IRA during your lifetime. However, Roth IRA beneficiaries do have to take RMDs.

PAYING FOR HIGHER EDUCATION

Are you setting aside money for college or is someone in your family attending college now? If so, the tax incentives discussed in this section may be helpful to you.

SAVING FOR COLLEGE. Section 529 prepaid tuition and college savings plans are tax-advantaged plans designed for college savers. With these plans, investment earnings accumulate on a tax-deferred basis, and plan distributions to pay the account beneficiary's qualified higher education expenses are tax free. There are no income limits on contributions. You aren't restricted to investing in your own state's plan. However, certain plan benefits may not be available unless you meet specific requirements, such as state residency. A particular plan also may have restrictions on the timing and use of plan distributions. *Before investing in a 529 plan, consider the investment objectives, risks, and expenses associated with municipal fund securities. The issuer's official statement contains more information about municipal fund securities, and you should read it carefully before investing.*

A Coverdell education savings account (ESA) is another tax-advantaged option to consider. Annual ESA contributions are limited to \$2,000 per designated beneficiary and generally may not be made after the beneficiary turns 18. (After 2012, the annual contribution limit is scheduled to drop to \$500.) The maximum ESA contribution is phased out with modified AGI of \$95,000 -

(\$190,000 - \$220,000 for married taxpayers filing jointly).

EDUCATION CREDITS. There are two tax credits for the payment of higher education expenses. The American Opportunity Tax Credit is allowed for qualified tuition and related expenses paid for each of a student's first four years of college. The maximum credit is \$2,500 (100% of the first \$2,000 of expenses and 25% of the next \$2,000 of expenses). It's phased out with modified AGI between \$80,000 and \$90,000 (\$160,000 and \$180,000 for married taxpayers filing jointly.)

The Lifetime Learning Credit can be particularly beneficial if you are paying graduate school tuition and related expenses for yourself, your spouse, or your child, since those expenses don't qualify for the American Opportunity Tax Credit. The maximum credit of \$2,000 per taxpayer return (20% of up to \$10,000 of expenses) phases out modified AGI between \$52,000 and \$62,000 (\$104,000 and \$124,000 for married taxpayers filing jointly) for 2012 (estimated inflation-adjusted ranges).

STUDENT LOAN INTEREST. Up to \$2,500 of interest paid on qualified higher education loans is deductible "above the line" in 2012, meaning you don't have to itemize to claim the deduction. The deduction is phased out for unmarried taxpayers with modified AGI between \$60,000 and \$75,000. The income phaseout range is between \$120,000 and \$150,000 of modified AGI for married persons filing jointly. (These ranges are the estimated inflation-adjusted ranges for 2012).

MAXIMIZING DEDUCTIONS AND CREDITS

To determine your taxable income, you deduct a standard deduction or your itemized deductions from your AGI. Tax credits reduce your tax liability dollar for dollar and, in some cases, are refundable if a taxpayer does not have a large enough tax liability to absorb the credit.

DEDUCTION TIMING. Certain categories of itemized deductions are limited by income-based "floors." For example, you may deduct unreimbursed medical expenses only to the extent your total expenses exceed a floor amount equal to 7.5% of your AGI. And expenses that qualify as a miscellaneous itemized deduction – such as unreimbursed employee business expenses and various investment-related expenses – are deductible only to the extent they, in aggregate, exceed 2% of your AGI.

- ◆ Deciding whether to pay certain medical and miscellaneous expenses this year or next can help you make the most of your deductions. For instance, "bunching" expenses in a single year, to the extent possible, can be a helpful strategy.
- ◆ The hurdle for deducting medical expenses generally will be higher starting in 2013 when the 7.5%-of-AGI floor is slated to increase to 10% of AGI. The exception: You can continue using the 7.5%-of-AGI floor to figure your medical deduction through 2016 if either you or your spouse is age 65 or over.
- ◆ The unreimbursed expenses of a job search, such as employment agency fees, résumé preparation costs, and travel for interviews, may be deductible as a miscellaneous itemized deduction. However, you cannot deduct job search expenses if you're looking for your first job, if there was substantial break in time between your last job and the start of your search for a new one, or if you're switching careers.

TAXES. You may be able to increase your deduction for state and local taxes by paying your final quarterly state income-tax estimate before year-end. You could also increase the amount of state income-tax withholding from your pay for the last few months of the year – especially if you think you'll owe more than has already been withheld.

- ◆ Avoid accelerating tax payments if you think you may be subject to AMT. Since you are not allowed to deduct taxes in computing AMT income. Instead, save the expense for 2013 when AMT may not apply to you. But be sure your payments are sufficient to avoid underpayment penalties.

CHARITABLE CONTRIBUTIONS. Qualifying donations of either cash or property are tax deductible, within limits. Be sure to get the appropriate substantiation from the charity for tax-deduction purposes.

- ◆ Donating appreciated stock you've held longer than one year can accomplish two things: You'll generally secure an immediate income-tax deduction equal to the full value of the stock, and you'll avoid the taxable capital gain you would have realized if you'd sold the stock first and donated the proceeds.
- ◆ On the other hand, if your securities have declined in value, consider selling them first and contributing the proceeds to charity. This strategy would give you a deductible capital loss (within limits) and a deduction for your cash contribution.
- ◆ If you're a volunteer, don't overlook a potential deduction for any out-of-pocket expenses you may incur while volunteering, such as the cost of hosting a fundraiser or using your car for charitable activities.



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Tax Appointments: *It is essential that you contact our office if you want to schedule an appointment with Roger Laney or Heather Wells. Roger only works in the Chipley and Panama City offices on certain days and Heather is expecting a baby in April, so she will be out of the office the latter part of tax season. If Roger or Heather are not available we have other staff accountants that you can meet with, but scheduling an appointment is always advisable.*

Food for thought.....

Mayonnaise Jar & Two cokes...

When things in your life seem almost too much to handle, when 24 hours in a day are not enough, remember the mayonnaise jar and the 2 cokes.

A professor stood before his philosophy class and had some items in front of him. When the class began, he wordlessly picked up a very large and empty mayonnaise jar and proceeded to fill it with golf balls. He then asked the students if the jar was full. They agreed that it was. The professor then picked up a box of pebbles and poured them into the jar. He shook the jar lightly. The pebbles rolled into the open areas between the golf balls. He then asked the students again if the jar was full. They agreed it was. The professor next picked up a box of sand and poured it into the jar. Of course, the sand filled up everything else. He asked once more if the jar was full. The students responded with a unanimous 'yes.' The professor then produced two cokes from under the table and poured the entire contents into the jar effectively filling the empty space between the sand. The students laughed. 'Now,' said the professor as the laughter subsided, 'I want you to recognize that this jar represents your life. The golf balls are the important things--your family, your children, your health, your friends and your favorite passions---and if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter like your job, your house and your car. The sand is everything else---the small stuff. 'If you put the sand into the jar first,' he continued, 'there is no room for the pebbles or the golf balls.

The same goes for life. If you spend all your time and energy on the small stuff you will never have room for the things that are important to you. Pay attention to the things that are critical to your happiness. Spend time with your children. Spend time with your parents. Visit with grandparents. Take your spouse out to dinner. Play another 18. There will always be time to clean the house and fix the disposal. Take care of the golf balls first---the things that really matter. Set your priorities. The rest is just sand. One of the students raised her hand and inquired what the cokes represented. The professor smiled and said, 'I'm glad you asked.' The cokes just show you that no matter how full your life may seem, there's always room for a couple of cokes with a friend.