

Issued December 15, 2011

It's Time for Year-End Tax Planning

We have compiled a checklist of actions based on current tax rules that may help you save tax dollars if you act before year-end. Regardless of what Congress does late this year or early next, solid tax savings can be realized by taking advantage of tax breaks that are on the books for 2011. For individuals, these include:

- the option to deduct state and local sales and use taxes instead of state and local income taxes;
- the above-the-line deduction for qualified higher education expenses; and
- tax-free distributions by those age 70-1/2 or older from IRAs for charitable purposes.

For businesses, tax breaks available through the end of this year that may not be around next year unless Congress acts include:

- 100% bonus first-year depreciation for most new machinery, equipment and software;
- an extraordinarily high \$500,000 Section 179 expensing limitation (and within that dollar limit, \$250,000 of expensing for qualified real property); and
- the research tax credit.

Not all actions will apply to your particular situation, but you will likely benefit from many of them. There also may be additional strategies that will apply to your particular tax situation. We can narrow down the specific actions that you can take once we meet with you. In the meantime, please review this list and contact us at your earliest convenience so we can advise you on which tax-saving moves to make.

Year-End Tax Planning Moves for Individuals

Be Aware of the Alternative Minimum Tax (AMT) – Keep in mind when considering year-end tax strategies that many of the tax breaks allowed for purposes of calculating regular taxes are disallowed for AMT purposes. These include deduction for state property taxes on your residence, state income taxes (or state sales tax if you elect this deduction option), miscellaneous itemized deductions, and personal exemption deductions. Other deductions, such as for medical expenses, are calculated in a more restrictive way for AMT purposes than for regular tax purposes. As a result, in some cases, these deductions should not be accelerated. This office has tax planning software that can analyze and minimize the effects of the AMT.

Employer Flexible Spending Accounts – If you contributed too little to cover expenses this year, you may wish to increase the amount you set aside for next year. Keep in mind, however, that you can no longer set aside amounts to get tax-free reimbursements for over-the-counter drugs.

Health Savings Accounts – If you become eligible to make health savings account (HSA) contributions in December of this year, you can make a full year's worth of deductible HSA contributions for 2011.

In This Issue

[It's Time for Year-End Tax Planning](#)

[Year-End Tax Planning Moves for Individuals](#)

[Year-End Tax Planning Moves for Businesses and Business Owners](#)

[Business Benefits Abound This Year](#)

[Year-End Capital Gains Strategies](#)

[Report Those Foreign Financial Connections!](#)

[Misclassifying Workers Can Be Costly!](#)

[Unmarried Couples and Home Mortgage Interest](#)

[Since You Asked...](#)

[Tax Calendar](#)

Capital Gains and Losses – We can employ a number of strategies to suit your specific tax circumstances. For example, some taxpayers may be in the zero percent capital gains bracket and should be looking for gains that benefit from no tax. Others may be affected by the wash sale rules when they are trying to achieve deductible losses while maintaining their investment position. Generally, portfolios should be reviewed near year's end with an eye to minimizing gains and maximizing deductible losses. It may be appropriate for you to call for a year-end strategy appointment to discuss trades and actions that can produce tax benefits for you.

Roth IRA Conversions – If your income is unusually low this year, you may wish to consider converting your traditional IRA into a Roth IRA. Even if your income is at your normal level, with the recent decline in the stock markets, the current value of your Traditional IRA may be low, which provides you an opportunity to convert it into a Roth IRA at a lower tax amount. Thereafter, future increases in value would be tax-free when you retire.

Recharacterizing a Roth Conversion – If you converted assets in a traditional IRA to a Roth IRA earlier in the year, you may have seen the assets decline in value due to the recent market decline, and you will end up paying higher than necessary taxes on that higher valuation. However, you may undo that rollover by recharacterizing the conversion by transferring the converted amount (plus earnings, or minus losses) from the Roth IRA back to a traditional IRA via a trustee-to-trustee transfer. You can later (generally after 30 days) reconvert to a Roth IRA.

IRA to Charity Transfer – This year may well be the last chance for taxpayers ages 70-1/2 or older to take advantage of an up-to-\$100,000 annual exclusion from gross income for otherwise taxable individual retirement account (IRA) distributions that are qualified charitable distributions. Such distributions aren't subject to the charitable contribution percentage limits and can't be included in gross income. However, the contribution isn't deductible.

Advance Charitable Deductions – If you regularly tithe at a house of worship, you might consider pre-paying part or all of your 2012 tithing and thus advancing the deduction into 2011. This can be especially helpful to individuals who marginally itemize their deductions, allowing them to itemize in one year and then take the standard deduction in the next.

Income Deferral – Depending upon your particular tax circumstances, it may be appropriate to defer income into 2012 if possible. For example, if you are receiving an employee bonus, you might ask your employer to defer it until 2012.

Income Acceleration – If your taxable income is unusually low because of lower income or larger deductions, you may be able to absorb additional income with no or minimal additional tax. In that case, you should consider accelerating income when possible without incurring penalties. This would include pension plan and IRA distributions and accelerated capital gains.

Prepay Tax Deductible Expenses – Consider prepaying tax-deductible expenses to increase your 2011 itemized deductions. For example, if you have outstanding dental bills, paying the balance before year-end may be beneficial, but only if you already meet the 7.5% of AGI floor for deducting medical expenses, or if adding the dental payments would put you over the 7.5% threshold. You can even use a credit card to prepay the expenses, but you would only want to do so if the interest expense you'd incur is less than the tax savings.

Prepay State Income Taxes – State income taxes paid during the year are deductible as an itemized deduction. As long as pre-paying the state taxes does not create an AMT problem and you expect to owe state and local income taxes next year, it may be appropriate to increase your withholding at your employment or make an estimated tax payment before the close of 2011, thereby advancing the deduction into this year.

Avoid Underpayment Penalties – If you are going to owe taxes for 2011, you can take steps before year-end to avoid or minimize the underpayment penalty. The penalty is applied quarterly, so making a fourth quarter estimate will not reduce the penalties applied to the first three quarters of the year. However, withholding is treated as paid ratably throughout the year, so increasing withholding at the end of the year can reduce the penalties for the earlier quarters. This can be accomplished with cooperative employers or by taking a non-qualified distribution from a pension plan, which will be subject to a 20% withholding, and then returning the gross amount of the distribution to the plan within the 60-day statutory limit. Please consult this office to determine if you will be subject to underpayment penalties (there are exceptions), and if so, the best strategy to avoid or minimize them.

Upcoming Events

To register or for more information, please visit our website at www.capincrouse.com today!

January

Tuesday, January 17

North Texas - First Annual Nonprofit Seminar
Hope Center
Plano, TX

Thursday, January 26

Ten Things Exempt Organizations Should Know for 2012
Online Tax Webcast, 1pm EST

Thursday, January 26

Networking Reception Benefiting The Bowery Mission
Helmsley Park Lane Hotel
New York, NY

February

Thursday, February 23

Form 1040 Update for Non-Profit Leaders
Online Tax Webcast, 1pm EST

March

Thursday, March 1

Higher Education Roundtable
Columbia, SC

Friday, March 16

Annual Nonprofit Seminar
Anderson, IN

Tuesday, March 20

Higher Education Roundtable
Dallas, TX

Wednesday, March 21

Higher Education Roundtable
Los Angeles, CA

Thursday, March 22

Higher Education Roundtable
San Diego, CA

Tuesday, March 27

Higher Education Roundtable
Atlanta, GA

Wednesday, March 28

Higher Education Roundtable
Chicago, IL

Thursday, March 29

Functional Expenses
Online Tax Webcast, 1pm EDT

Sales Tax – Without a congressional extension, 2011 is the final year in which you can elect to claim a state and local general sales tax deduction instead of a state and local income tax deduction. You may wish to accelerate big-ticket purchases into 2011 to assure yourself a deduction for sales taxes on the purchases, assuming the increased sales tax deduction is greater than the state and local tax amount. The deduction is extremely helpful in states with no state income tax.

Home Energy Credits – If you are a homeowner, making energy-saving improvements to your residence such as putting in extra insulation or installing energy saving windows and energy efficient heaters or air conditioners may qualify you for a tax credit, if the assets are installed in your home before 2012. The credit is 10% of the cost of the improvement with a cap of \$500; the credit is reduced by any credit claimed in prior years for the purchase of other energy-saving property.

Education Credits and Deductions – If someone in your family is attending college and qualifies for an education credit, you can pre-pay the first three months of 2012's tuition to reach the maximum credit for 2011. In addition, unless Congress extends it, the up-to-\$4,000 above-the-line deduction for qualified higher education expenses expires after 2011. Thus, prepaying the first three months of 2012's eligible expenses will increase your deduction for qualified higher education expenses.

Acquire Qualified Small Business Stock (QSBS) – If you have the opportunity, you may wish to acquire QSBS before the close of the year. Doing so won't save taxes for 2011, but could benefit you in the future. A special provision of the tax code eliminates any tax from sale of QSBS if it is purchased after September 27, 2010 and before January 1, 2012, and is held for more than five years. In addition, such sales won't cause AMT preference problems. To qualify for these breaks, the stock must be issued by a regular (C) corporation with total gross assets of \$50 million or less. There are some other technical requirements, so call this office for additional details.

Don't Forget Your Minimum Required Distribution – If you have reached age 70-1/2, you are required to make minimum distributions (RMDs) from your IRA, 401(k) plan and other employer-sponsored retirement plans. Failure to take a required withdrawal can result in a penalty of 50% of the amount of the RMD not withdrawn. If you turned age 70- 1/2 in 2011, you can delay the first required distribution to the first quarter of 2012, but if you do, you will have to take a double distribution in 2012. Consider carefully the tax impact of a double distribution in 2012 versus a distribution in both this year and next.

Take Advantage of the Annual Gift Tax Exemption – You can give \$13,000 in 2011 to each of an unlimited number of individuals, but you can't carry over unused exclusions from one year to the next. The transfers also may save family income taxes when income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.

Year-End Tax-Planning Moves for Businesses & Business Owners

Expensing Allowance (Sec 179 Deduction) – Businesses should consider making expenditures that qualify for the business property expensing option. For tax years beginning in 2011, the expensing limit is \$500,000, and the investment ceiling limit is \$2,000,000. Without Congressional intervention, these limits are scheduled for a significant drop in 2012. That means that businesses that make timely purchases will be able to currently deduct most, if not all, of the outlays for machinery and equipment. Additionally, for 2011, the expensing deduction applies to certain qualified real property such as leasehold improvements, restaurant, and retail property.

100% First-year Depreciation – Businesses also should consider making expenditures that qualify for 100% bonus first-year depreciation if the property is bought and placed in service this year. This 100% first-year write-off rate drops to 50% next year unless Congress acts to extend it. Thus, enterprises planning to purchase new depreciable property this year or next should try to accelerate their buying plans if doing so makes sound business sense. **Work Opportunity Tax Credit (WOTC)** – Take advantage of the WOTC by hiring qualifying workers, such as qualifying veterans, before the end of 2011. Unless extended by Congress, the WOTC won't be available for workers hired after this year.

Work Opportunity Tax Credit (WOTC) – Take advantage of the WOTC by hiring qualifying

We Can Help!

The staff at CapinCrouse LLP works with hundreds of churches and not-for-profit organizations. This experience base allows us to quickly identify areas for improvement in many organizations. If your organization desires to improve its efficiency, please contact your Capin Crouse representative or one of our offices to discuss how we may help you.

About CapinCrouse LLP

With more than 700 not-for-profit organizations and 1,500 tax clients, CapinCrouse is the country's leading accounting and advisory firm primarily serving the Christian not-for-profit community.

Since 1972, CapinCrouse has been serving not-for-profit entities including megachurches, institutions of higher education and secondary schools, and international missions agencies by providing a full range of audit, review, tax, and advisory services.

CapinCrouse is dedicated to helping our clients operate with financial integrity so that they can dedicate themselves to fulfilling their mission.

workers, such as qualifying veterans, before the end of 2011. Unless extended by Congress, the WOTC won't be available for workers hired after this year.

Research Credit – Make qualified research expenses before the end of 2011 to claim a research credit, which won't be available for post-2011 expenditures unless Congress extends the credit.

Self-employed Retirement Plans – If you are self-employed and haven't done so yet, you may wish to establish a self-employed retirement plan. Certain types of plans must be established before the end of the year to make you eligible to deduct contributions made to the plan for 2011, even if the contributions aren't made until 2012. You may also qualify for the pension start-up credit.

Increase Basis – If you own an interest in a partnership or S corporation that is going to show a loss in 2011, you may need to increase your basis in the entity so you can deduct the loss, which is limited to your basis in the entity.

These are just some of the year-end steps that can be taken to save taxes. You are encouraged to contact this office so a plan can be tailored to meet your specific tax and financial circumstances.

Business Benefits Abound This Year

There are an abundant number of provisions that provide tax relief to small businesses this year. Just so that you don't overlook any of these benefits, or in case your business would like to position itself to take advantage of some before the close of the year, here is a brief rundown on many of the business benefits that are available for 2011. Some of these provisions are currently set to expire after December 31, 2011.

- **Research Tax Credit** – A tax credit of up to 20% of qualified expenditures for businesses that develop, design, or improve products, processes, techniques, formulas, or software or perform similar activities. The credit is calculated on the basis of increases in research activities and expenditures.
- **Work Opportunity Tax Credit** – A tax credit of up to 40% based upon a portion of the first-year wages paid to members of certain targeted groups. The credit is generally capped at \$6,000 per employee (\$12,000 for qualified veterans and \$3,000 for qualified summer youth employees).
- **Differential Wage Payment Credit** – Employers who have an average of less than 50 employees during the year and who pay differential wages to employees for the periods they were called to active duty in the U.S. military can claim a credit equal to 20% of up to \$20,000 of differential pay made to an employee during the tax year.
- **HIRE Retention Credit** – In 2010, employers were granted a payroll tax holiday for hiring long-term unemployed individuals. As an incentive to retain those individuals, a non-refundable credit up to \$1,000 per employee is allowed to employers who kept those employees on payroll for a continuous 52 weeks. The credit is limited to 6.2% of the employee's wages, and will be claimed on the 2011 return.
- **New Energy Efficient Home Credit** – An eligible contractor can claim a credit of \$2,000 or \$1,000 for each qualified new energy efficient home either constructed by the contractor or acquired by a person from the contractor for use as a residence during the tax year.
- **100% Bonus Depreciation** – Businesses are allowed a 100% bonus depreciation on qualified business property purchased and placed into service during the year. This generally includes machinery, equipment, computers, qualified leasehold improvements, etc. (but see limitations on vehicles).
- **Expensing Allowance** – In lieu of depreciating the cost of new assets, a business is allowed to deduct up to \$500,000 expensed under Code Sec. 179. The \$500,000 maximum amount is generally reduced dollar-for-dollar by the amount of Section 179 property placed in service during the tax year in excess of \$2,000,000.
- **15-year Write-off for Specialized Realty Assets** – Qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property placed in service during the year are eligible for a 15-year depreciation write-off instead of the normal 39 years.

Tax Department
317.885.2620

Atlanta
678.518.5301

Chicago
630.682.9797

Colorado Springs
719.528.6225

Dallas
817.328.6510

Denver
720.283.7326

Indianapolis
317.885.2620

Los Angeles
714.671.9300

New York
212.653.0681

Orlando
407.883.4671

San Diego
858.638.7220

- **Business Autos** – As part of the benefit of the 100% depreciation, the first-year luxury auto limit is increased to \$11,060 for autos and \$11,260 for light trucks and vans. For vehicles with a gross vehicle rating of over 6,000 pounds, the luxury auto limits do apply and are subject to the full benefit of the 100% bonus depreciation.
- **Domestic Production Deduction** – This deduction was created to encourage manufacturing and production within the U.S. and provides a deduction equal to 9% of the lesser of net income from qualified production activities or 50% of the W-2 wages paid to employees allocated to the domestic production activity.

If you have questions or wish more detail on any of the provisions or other business issues, please give this office a call.

Year-end Capital Gains Strategies

2011 has produced some significant gyrations in the financial markets that have had an impact on everyone's portfolios. But for tax purposes, gains and losses are not measured by the increased or decreased value of your portfolio, but by gains and losses recognized from the sale of capital assets during the year. So you still have until the end of the year to structure your gains and losses to suit your particular tax situation.

Conventional wisdom has always been to minimize gains by selling "losers" to offset gains from "winners," and, where possible, generate the maximum allowable \$3,000 (\$1,500 for married taxpayers filing separately) capital loss for the year.

As a reminder, the maximum long-term (assets held for more than a year) capital gains are still at the all-time low maximum rate of 15%, and unless changed by Congress, will remain at that rate through 2012. Taxpayers who are in the 15% or lower marginal tax rate actually enjoy a 0% tax rate on long-term capital gains and should do whatever is possible to take advantage of that tax benefit. The capital gains rates are currently scheduled to revert to 20% (10% to the extent a taxpayer is in the 15% or lower tax bracket) in 2013.

Assets that are not held long-term, referred to as short-term capital gains, do not receive the benefits of the special rates afforded long-term capital gains. Taxpayers achieve a better overall tax benefit if they can arrange their transactions so as to offset short-term capital gains with long-term capital losses.

If you exercised incentive (qualified) stock options with your employer this year and you are still holding the stock, selling the stock before year's end to avoid phantom income created by the alternative minimum tax may be appropriate.

If you are planning substantial gifts to charity or to relatives and have capital assets that have appreciated in value, gifting the appreciated assets rather than cash may be beneficial.

Finally, as an advance warning, the reporting of the sale of capital assets will become significantly more complicated this year. With the advent of brokerage firms being required to track and report basis for stock sales, the transactions for the year will have to be segregated into four possible groups: those for which the broker reported basis and those for which the broker did not know basis, and each of those categories split by short- and long-term transactions. The IRS has developed the new Form 8949 for this purpose. Each category of transactions must be reported on a separate Form 8949, and then the totals transferred to a redesigned Schedule D. The IRS requires this separation of transactions to facilitate its computer matching of transactions.

The actions mentioned above may have additional factors that must be considered and require careful planning. You are encouraged to consult with this office before acting on any of the suggested strategies.

Report Those Foreign Financial Connections!

FinCEN is the acronym for the Treasury Department's Financial Crimes Enforcement Network. FinCEN is a government-wide, multisource, financial intelligence and analysis network tasked with detecting money laundering, terrorist financing, tax evasion, and other financial crimes. To do its job, FinCEN must collect financial data from a multitude of

sources, including each U.S. person with connections to foreign financial transactions. This has resulted in a number of reporting requirements imposed upon taxpayers that many are unaware can result in draconian penalties for non-compliance.

- **Foreign Account Reporting Requirements** – Each United States person who has a financial interest in or signature or other authority over any foreign financial accounts, including bank, securities, or other types of financial accounts, in a foreign country, if the aggregate value exceeds \$10,000 at any time during the calendar year, must report that relationship to the U.S. government each calendar year. This is done by filing Form TD F 90-22.1 (often referred to as FBAR) on or before June 30 of the succeeding year. No extensions of time to file are available, and failing to comply can result in civil penalties up to \$10,000. Willful violations are subject to penalties that are the greater of \$100,000 or 50% of the account's balance.
- **Reporting Foreign Gifts, Bequests and Trusts** - Gifts of more than \$100,000 from a non-resident alien individual or foreign estate and gifts of more than \$14,375 in 2011 (\$14,723 in 2012) from foreign corporations or partnerships must be reported. Form 3520 is used to report the gifts and to report ownership in a foreign trust. Failure to comply can result in a penalty of the greater of \$10,000 or 35% of the gross value of any property transferred to a foreign trust.
- **Annual Report of Individuals with Foreign Assets** – This is a new reporting requirement for 2011. Generally, U.S. persons with ownership of certain foreign assets not held by a domestic financial institution with an aggregate value of more than \$50,000 must file Form 8938 with their tax returns, providing details of the assets. Failure to file can result in penalties of up to 40% of the undisclosed value.

Watch for Overlooked Accounts – You may not realize you have accounts that fall under one or more of these reporting requirements. Don't overlook accounts where family members in foreign countries have included you on a foreign account or as part owner of a business entity or trust. Don't overlook foreign retirement savings accounts such as Canadian RRSP and RRIF accounts. Consider business accounts where, as an officer or board member of a company, you may have signature authority over a foreign account.

If you have questions related to these reporting requirements, please give this office a call.

Misclassifying Workers Can Be Costly!

Hiring independent contractors instead of employees can save a lot of money in employment taxes and employee benefits. And it can be a mine field of tax problems if workers are misclassified as independent contractors when they should have been treated as employees.

The three primary characteristics the IRS uses to determine the relationship between businesses and workers are behavioral control, financial control, and the type of relationship.

1. **Behavioral Control** – Covers facts that show whether the business has a right to direct or control how the work is done through instructions, training or other means.
2. **Financial Control** – Covers facts that show whether the business has a right to direct or control the financial and business aspects of the worker's job.
3. **Type of Relationship** – Relates to how the workers and the business owner perceive their relationship.

If you have the right to control or direct not only what is to be done, but also how it is to be done, then your workers are most likely employees. If you can direct or control only the result of the work done, and not the means and methods of accomplishing the result, then your workers are probably independent contractors.

This issue has been heating up recently as the government looks for ways to reduce the deficit. A recent study by the IRS estimates there are 3.4 million workers misclassified as independent contractors, causing a loss of \$2.7 billion in tax revenue.

The IRS initiated an expanded focus on this issue in 2010 and continues to ratchet up enforcement with increased audits, and now the IRS and the Department of Labor have begun to share information and collaborate on this issue.

The IRS just recently announced a Voluntary Classification Settlement Program (VCSP) that allows employers to come into compliance by making a minimal payment covering past payroll. Employers wishing to participate in this program must apply for the program at least 60 days before they want to start treating the workers as employees. To be eligible, the employer must have filed the required 1099 forms for the workers in the previous three years and not be under audit concerning the employees.

If you have questions related to worker classification, please give this office a call.

Unmarried Couples and Home Mortgage Interest

It is becoming increasingly common for couples to live together and remain unmarried, which can lead to potential tax problems when they share the expenses of a home but only one of the couple is liable for the debt on that home.

Home mortgage interest can generally be deducted only by a person who is legally obligated to pay the mortgage (in other words, a person who is named as an obligor on the mortgage document). However, there is an exception to the preceding general rule for interest paid on a real estate mortgage when a person is a legal or equitable owner of the real estate but is not directly liable for the debt.

For example, if the one who is not liable on the mortgage makes the payment, that individual is not allowed to deduct the interest portion of the payment and neither is the other person, because he or she did not pay it. This can lead to some complications where one of the couple is the bread winner and would benefit tax-wise from an interest deduction, but the other person is the liable party on the loan. It is not uncommon for couples who both work to share the mortgage payments in the mistaken belief that they can each deduct their share of the mortgage interest on their individual tax returns.

Although state law governs what constitutes equitable ownership, equitable ownership can generally be established if both parties are on title to the property even if only one is liable on the loan. The premise behind equitable ownership is that an individual is protecting his or her ownership in the home by making some or all of the mortgage payments.

This position was recently upheld in a 2011 Tax Court decision where the court denied a taxpayer's home mortgage interest deduction that she paid until she became co-owner of the property with her boyfriend and was legally obligated to make the mortgage payments.

If you are in a similar situation and have questions related to sharing potentially tax deductible expenses, please give this office a call.

Since You Asked...

You Asked: I use a payroll service for my business, and they have suggested we change the address of record to the payroll company so that any notices go directly to them. Is that an appropriate thing to do?

Answer: That could become a problem. If there are any issues with an account, the IRS will send correspondence to the address of record, and you would be unaware of the problem. Even though you forward the tax payments to the third party to make the tax deposits, you as the employer are the responsible party, and can be held personally liable for any unpaid taxes plus interest and penalties. So, it stands to reason that you'd want to be notified directly by the IRS if there were any problems, and to do that, the contact address would need to be yours rather than the payroll company's.

You Asked: I have been reading all of these ads about selling personal jewelry for the gold value, and I was wondering if there were any tax ramifications?

Answer: Generally, when you sell a personal use asset there are no tax ramifications since personal use items such as a car, furnishings, clothing, etc., usually are sold for less than you paid for them, and losses are not allowed. However, if you sell a personal use item for a profit, then the profit is taxable. Your jewelry is a personal use item. Gold

has increased in value by approximately 500% since 2000. So there is a good chance of having a profit in selling old jewelry, and that profit would be a long-term capital gain taxable at the current Federal tax rate of no more than 15%. However, the problem is determining the profit. If you received it as a gift, what did the purchaser pay for it? If you bought it yourself, what did you pay for it? How can you document the cost? Without being able to determine a cost (basis), the reportable gain will be the entire amount you receive for selling the jewelry. Another issue is if any of the jewelry includes gold coins. Gold bullion and rare coins are considered "collectables" and are taxed at Federal rates up to 28%.

Tax Calendar

For the complete 2011 and 2012 Tax Calendars, see IRS Publication 509 at <http://www.irs.gov/pub/irs-pdf/p509.pdf>.

December 31, 2011:

- This is the last day to pay deductible expenses for the 2011 return. This doesn't apply to IRA, SEP or Keogh contributions, all of which can be made after December 31, 2011.
- This is the last day to set up a Keogh Retirement Account if you plan to make a 2011 contribution.
- This is the last day to take advantage of the IRA to charity direct rollover for taxpayers who are age 70.5 and over.

January 17*, 2012:

- The fourth quarter 2011 federal individual estimated tax payment is due unless the 2011 return is filed by January 31, 2012 and the entire balance due is paid with the return.

January 31, 2012:

- This is the deadline for businesses to provide 1099s and W-2s to those people they paid during 2011. If you are a business owner and you paid \$600 or more for the services of individuals (other than employees) during the year, you will need to provide 1099s to those workers by January 31, 2012. "Services" can mean everything from labor and professional fees to rents on property. In addition, in order to avoid a penalty, copies of 1099s need to be sent to the IRS by February 29, 2012. This firm can prepare these documents for you.

February 29, 2012:

- This is the deadline for filing (sending) 1099s and W-2s.

April 17*, 2012:

- This is the deadline for individuals to file a 2011 federal income tax return or request an extension of time to file.
- The first installment of the 2012 federal individual estimated tax payment is due. Caution: Some states may have different filing dates for state estimated payments
- The first installment of the 2012 defined benefit pension plan contributions is due.

*Note that the normal due date would be the 15th, but because it falls on a weekend and with the 16th being a Federal holiday, the due date is the 17th. Caution: some states have different due dates.