

2010 Year-End Tax Saving Strategies for Your Individual 1040 Tax Return

Dear Clients and Friends,

We are surprised how quickly the year has passed! On the income tax scene Congress continues to work on last minute income tax bills as of the date of this letter, but you can be assured we stay abreast of all the latest changes as they occur! With the economic issues this year you can be sure that we will work more diligently than ever to keep your tax bill at the lowest legal amount.

We are once again making our tax organizers available for free to our clients upon request. Please respond to this email or call the office to request one for 2010, as it is our attempt to be as thorough as possible in the preparation of your return. The tax organizer may not be enough however, and we wanted to bring some special items to your attention below.

Tax Planning - Bringing all of your data in during **Tax Season** and hoping we can re-engineer your tax liability from last year is not Tax Planning. Our tax preparation processes and skills are designed to minimize the taxes you pay based on what happened in the past, but that is not Tax Planning; it is Tax Preparation. In addition to reviewing contemplated transactions before they are consummated, we offer a comprehensive tax planning process designed to identify and implement strategies to minimize your tax burden **going forward**. If you are interested in true tax planning, please contact our office for an appointment before year-end with one of our partners or managers and they will prepare an initial assessment of whether the cost of participating in our tax planning process will justify the tax savings you will realize. Below are some items you may consider.

Home Owner Energy Credits -If you (and spouse if married) made or are considering investing in insulation, storm windows or doors, high efficiency furnaces or water heaters or similar energy improvements there is a 30% Federal income tax credit available in many cases. The bad news? It expires December 31, 2010 so get those improvements done now! A list and detailed specifications for the various products that meet the requirements for the credit are at the end of Form 5695 on the following link, <http://www.irs.gov/pub/irs-pdf/f5695.pdf>

New Hybrid, Electric or Diesel Cars or Trucks -Several special new tax credits are available this year if you bought a brand new car, light truck, motorcycle or RV during the year. If you bought a new vehicle please bring us a copy of the invoice so that you get this special credit.

Mortgage Interest -Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track re-financings and the use of loan proceeds. Please provide us with any new home loan information, closing statements from any re-financings, and a summary of what any additional loan proceeds were used for.

Charity -A scary IRS court case in 2008 reminds us of the rules on charitable contributions. ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250, and should also state that no goods or services were received in return for the contribution.

Foreign Accounts -If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account with over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you.

Mileage Deductions -Deductible mileage rates changed during the year. Please provide us with the number of medical miles you drove during the year for this deduction. This includes trips to the doctor, dentist, pharmacy, dialysis, as well as any charity related volunteer work mileage.

Education Credits -A major revision of college credits by President Obama has provided us with the new "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college or near to college, please discuss some options with us to assure that you receive the best benefit for these costs.

Roth IRA Conversions -You will be hearing from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2010 without coming in to see us for an appointment to discuss both the positives and negatives. *All conversions for 2010 must be completed by December 31, 2010.*

Gift Changes -Effective 1/1/2009 the amount you may give to one person in one year without any return filing requirements has been increased to \$13,000. Additionally, Congressional inaction on the estate tax front requires most people that have any substantial net worth to immediately consider estate planning. Please contact us to discuss these issues.

Worthless Stocks and Bonds -If you own stocks or bonds that became worthless this year please be sure to provide us with the cost and purchase dates so that we can take any allowable deductions.

Future Income Tax Rates & Other -With record Federal deficits predicted for the next 10 years, it is a possibility that future tax rates will be substantially higher than today. If you are considering selling property or stock there is a good chance that 2010 will be the lowest capital

gains rates any of us will ever see again, and the 2010 rates continue to be the lowest rates since before World War II. You might want to discuss some tax strategies with us if you are expecting a major asset sale in 2010 or 2011.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. The Mangold Group invests in the optimum resources to keep your tax burden to the lowest legal amount while we provide you with timely, complete and accurate service. Thank you again for your continued support.

Sincerely,

Thomas Mangold, CPA.CITP, President
The Mangold Group, CPAs, PC