



## Happy Holidays! 2011 Tax Season Newsletter

### BIG Changes

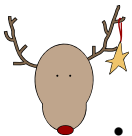
Our most exciting news of the year is that **WE'VE MOVED**. On December 1, we moved into our new home at **1925 Central Avenue**. We're excited to show you our new "digs". Mark your calendar, update the cloud, put an alarm in your phone; we're hosting a **Holiday Open House on Wednesday December 21 from 4 to 7pm and you're invited**. We'll have treats and beverages and will be providing tours of the new building.

We know that many of you are wondering about Jeanne. She's not officially retired yet – she's still here and will see clients throughout the tax season. Actually, we don't think she'll ever REALLY retire. She loves this stuff! However, she will be working shorter hours; as she should! We have the same great people with the same great service – plus we've added a few. They are all real gems and we are eager to help.

Each year I say the same thing - this year has flown by. Funny, my grandfather told me years ago how that happens – the older you get the faster they go. Sometimes I just want it to slow down.

Over the past several years there have been massive changes in tax law. 2011 was a relatively calm year, considering. What we expect to come in 2013 is uncertain. Just know that we are here for you and will continue to provide guidance and answers to your tax questions. We are grateful for your continued business and are looking forward to assisting you again in 2012.

You can expect to receive your organizer and scheduled appointment in the mail by the second week of January. If the time assigned does not work for you please call the office and we'd be happy to schedule a more convenient time. If you would rather have your organizer sent to you via email or to your secure client portal, please call the office or drop us an email and we'd be happy to oblige. Set up your portal at [www.cblacktax.com](http://www.cblacktax.com). Keep up with what's going on around here with our office blog.



### Quick Notes

- There are new IRS reporting guidelines for brokers. Beginning in 2012, all brokerage houses will be required to report basis in stock transactions. Please check your statements and talk to your broker to be certain that they have the

correct basis in your holdings. This could get ugly! Be proactive!

- Remember to bring in receipts for energy efficiency improvements made in 2011. I need to see them this year.
- If you have out of pocket expenses related to your job I need to see mileage logs and receipts to substantiate your deductions. The IRS and DOR are aggressively auditing returns and we want to have complete reliable records.
- The single most forgotten item that we need is your **2011 VEHICLE REGISTRATION**. The DMV has changed the documents that they provide to you – make sure to bring in the receipt with the codes and amounts you paid – not the blank ones with no dollar amounts!

### Website

If you haven't made use of our website lately check it out. There are lots of valuable tools available to you there, including an interactive Tax Organizer. You don't have to fill it out but use it to help guide you in organizing your tax documents this year. Sign up for our monthly newsletter. Create your online client portal account. It's a secure method of transferring or storing files. Many forms and business tools are available for you. You can also keep up with what's going on in our business throughout the year.

### Taxable Events

If you have had a tax event in 2011 without the normal withholding, we may want to calculate and pay your federal and/or state tax liability by December 31<sup>st</sup>. Because you are able to use these payments as itemized deductions on your tax return, you may save a substantial amount of tax. Please call so we can schedule an appointment before the end of the year.

### It's Not Too Late

There are some things that you may be able to do before year end to help minimize your tax bill. If you have a high deductible health insurance you can fund your HSA and deduct the contribution this year.

Do a little spring cleaning at Christmas time! Take your gently used items to Goodwill, St. Vincent de Paul or Salvation Army and get a receipt. They create a valuable deduction! Make a donation to any local charitable organization. If you give money by the end of the year you can use it as a charitable deduction. Remember to save ALL receipts!

## Montana Issues

MONTANA MEDICAL SAVINGS ACCOUNT is available to Montana residents. A taxpayer and spouse are each allowed a maximum deduction of \$3,000 annually. To claim as a deduction in 2011, it must be deposited by December 31<sup>st</sup>. **NOTE: THESE ARE NOT THE SAME AS FEDERALLY RECOGNIZED HEALTH SAVINGS ACCOUNTS.**

*Example: Start by totaling all medical expenses you have paid in 2011. You may go to a bank of your choice and set up an individual account and deposit the amount of your actual medical expenses for the year up to a maximum of \$6,000 if you're married -- \$3,000 if you're single. You may also include in this amount any future medical expenses you expect to incur. You may withdraw, or reimburse, yourself the amount that you actually spent throughout 2011 within a few days of the initial deposit. Remember, you must have actual medical expenses for the amount of the withdrawal or you may be subject to a recapture tax. This creates a MT state deduction for income tax purposes. The amount is still deductible on the Federal Return. Because of our tax structure in Montana, it is important to remember that married couples set up an account for the spouse with the highest income first. Keep the account open from year to year so that you may create this deduction with ease in the future.*

**Bonus: The interest earned on the account is not subject to MT state income tax.**

FAMILY EDUCATION SAVINGS ACCOUNT allows us to open an account for the purpose of paying future educational expenses for a child, and /or grandchild at an institution of higher education. Montana's plan is part of the Education Savings Program 529. You may contribute up to \$3,000 per year per taxpayer. Once again, it reduces your taxable income dollar for dollar. For more information call 800-888-2723 or visit their web site at

<http://montana.collegesavings.com>. It is a great, easy to use, site and can answer many questions. This can be a great estate-planning tool. You must leave the money in the account for three years or it may be subject to recapture tax. There is a link from my website as well.

FIRST TIME HOME BUYERS SAVINGS ACCOUNT is another helpful tool. If you are planning on buying your first home within the next 10 years. Here again, you may set aside up to \$3,000 per taxpayer into a savings account that is designated as such and deduct it dollar for dollar off your Montana taxable income. As long as you use the funds for a down payment or closing costs it is all tax-free to Montana.

MONTANA ENERGY CONSERVATION CREDIT is still available in addition to the Federal credits. The qualifying improvements and limits are different, however. The maximum credit per year is \$500 per taxpayer per structure improved. Give me a call if you have any questions. We'd be happy to help. Again, bring in your receipts. I need to keep copies in your file to substantiate the credits!

## Business Information

If you are a shareholder or officer of a closely held corporation you must receive "reasonable compensation" for your services. If you have recently formed a new business entity and have questions regarding this issue please call the office so we can have a conversation of what is required of you by year end.

If you are in **business or have rental activities** and you have paid more than \$600 for services you are required to issue a 1099 by January 31. The IRS is getting strict about this provision and we are expecting to see **big penalties** for not issuing the required forms. Give us a call if you need help or have questions in this regard.

## IRA's - Retirement Plans and Employer Tax Free Benefits

Remember you have until April 17<sup>th</sup> to fund your IRA accounts. A Roth IRA is non-deductible but the earnings will never be taxable as long as we have met the five-year rule and are 59½. A regular IRA is tax deductible both federal and state and, therefore, when withdrawn will be fully taxable.

Don't forget, if you converted a traditional IRA to a ROTH IRA in 2010 you may have a tax liability in 2011 and 2012.

**DO YOU WANT TO RETIRE?** Pay yourself first! Plan for it. Check out your employer sponsored plans. Most plans have a matching program. Now might be a good time to reevaluate your contribution into your plan. Can you increase your retirement savings by 2%? 5%? Some plans only allow you to change your contribution rate a few times a year. Consider it. You also may have the ability to elect a ROTH 401(k) deduction. You might even qualify for a federal tax credit for your contribution into a qualified retirement plan – up to 50% - WOW!

Many of you are making payroll elections for 2012. Now is a good time to consider your expected out of pocket medical expenses and anticipated child care expenses for next year. (FLEX Plan) This money that is deducted from your paycheck is tax free. Not only do you save federal and state taxes on this money but FICA and Medicare as well. It is a great tax savings program. Remember to be conservative, however, because most of these programs are "use it or lose it".

## Wrapping it up

Christmas time brings thoughts of thankfulness and reflection. We appreciate the opportunity to serve you and look forward to seeing you early next year. We'll have a warm cup of coffee waiting for you. Have a blessed holiday season.



*Colleen, Jeanne & The Tax Team,  
keeping you in the Black*

**Merry Christmas!**