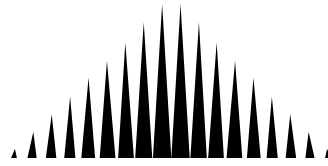


Tax Planning Reminder  
November and December  
You should meet with your tax  
advisor to discuss strategies  
that can trim the tax tab for this  
year.

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## DECEMBER 2010

**parse** \PAHRS\, *transitive verb*:

1. To resolve (as a sentence) into its component parts of speech with an explanation of the form, function, and syntactical relationship of each part.
2. To examine closely or analyze critically, especially by breaking up into components.
4. To make sense of; to comprehend.

**Estate and Trust Planning—Think  
you don't need this?  
Perhaps it is time to find out.**

During this time of year many of us get together with our loved ones, family and friends. As you gaze upon their smiling faces, consider the what ifs. What would happen to them if something were to happen? Would your family be protected? Would they have to "give" **45%** of the value of your hard earned assets to the Federal Government because you failed to plan properly?

Are you willing to take that gamble?

**Q u i c k B o o k s**

### Tip of the Month

Hold Ctrl and press the letter to do the following:

- P - Print
- S - Show list
- G - Go to register
- N - New invoice, bill, check or list item in context

### Important Dates to Remember

December 2nd—Hanukkah Begins  
December 15th—Payroll Tax Deposits and Non-Profit Tax Returns  
December 20th— Sales Tax Returns  
December 25th— Christmas Holiday

### **YEAR—END TAX PLANNING TIPS!!!**

1. Review your income, expenses and potential deductions. (You have to know where you are before deciding where to go.)
2. Use up your Flex Spending Plan.
3. Pay your mortgage on or before December 31, 2010. This allows you the additional mortgage interest.
4. Don't forget to make your charitable contributions.
5. Go Green. There are several tax savings for energy efficient and "Green" residential improvements.

***Taxes: Of life's two certainties, the only one for which you can get an automatic extension.***  
~Author Unknown

***A person doesn't know how much he has to be thankful for until he has to pay taxes on it.***  
~Author Unknown

## 2010 year-end tax planning for individuals presents unique challenges

As the end of 2010 quickly approaches, individual taxpayers should start to execute valuable year-end tax strategies. However, year-end tax planning for 2010 is especially unique, and a bit more complicated, due to the current uncertainty looming over a number of expiring tax cuts.

Several individual tax incentives in the form of deductions, credits, and exemptions, as well as reduced tax rates for long-term capital gains and qualified dividends, are scheduled to expire at the end of 2010. Moreover, the marginal income tax rates for most taxpayers - especially individuals in the top two income tax brackets - are scheduled to rise. The 10 percent tax rate bracket is scheduled to disappear. Another complication to year-end tax planning is the uncertainty caused by the estate and gift tax laws, and their future.

2010: 10% 15% 25% 28% 33% 35%

2011: 15% 15% 28% 31% 36% 39.6%

In light of the scheduled rate increases, individuals that will be affected by the higher tax rates - particularly higher-income taxpayers falling into the top two brackets - may want to consider opportunities to accelerate taxable income into 2010. Accelerating income into 2010 allows you to take advantage of the current lower tax rates and avoid having some of that income taxed at higher rates next year (as the law currently stands). Although tax considerations should not be the only reason to accelerate income into 2010, if you an-

anticipate that you will fall into a higher tax bracket in 2011 as the law currently stands, you should explore acceleration opportunities.

However, higher-income taxpayers considering deferring deductions until 2011 need to weigh the potential benefit of using these deductions to help offset potentially higher taxable income with the pitfall of the re-emergence of the limit on itemized deductions. The limit on itemized deductions for higher-income taxpayers is completely eliminated for 2010, but effective again in 2011. The limitation threshold amount is generally \$100,000 for most taxpayers and \$50,000 for married taxpayers filing separately. Thus, if you anticipate being in a higher rate bracket in 2011 you need to carefully weigh the benefits of getting a reduced deduction that offsets income taxed at a higher rate in 2011, against a full deduction that offsets income taxed at a lower rate in 2010.

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### IRS defers reporting of employer-provided health insurance costs on Form W-2

Employers are eligible for a one-year deferral of mandatory reporting of the costs of employer-provided health insurance on an employee's Form W-2, Wage and Tax Statement. According to the IRS, many employers need more time to make the necessary changes to their payroll systems to ensure accurate reporting.

#### Reporting

Employers must to provide each employee with a Form W-2 an-

nually by January 31 of the following tax year. For example, 2010 Forms W-2 must be provided to employees by January 31, 2011. The Patient Protection and Affordable Care Act of 2010 (PPACA) adds more reporting requirements. The PPACA requires that the aggregate costs of employer-provided health insurance be reported on Forms W-2.

Social Security wage base remains unchanged for 2011

The maximum amount of earnings subject to Social Security will be unchanged in 2011, the Social Security Administration (SSA) has announced. The wage base, above which wages are not subject to Social Security taxes, will be \$106,800.

#### Wage base

The major source of funding Social Security is payroll taxes on earnings that are paid by employees and their employers. The self-employed are charged the equivalent of the combined employer and employee tax rates. During 2009, an estimated 156 million people had earnings covered by Social Security and paid payroll taxes.

Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. This is known as the Social Security wage base. Wages above the wage base limit are not subject to Social Security tax withholding. For 2010, the wage base is \$106,800.

**Please contact our office for more tax saving ideas and to schedule your year end tax appointment.**

**770-920-2890**