

CLIENT LINE

Curtis H. Finch, CPA, PC 770-998-6665 curtis@lowtaxcpa.com

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Retirement savings might help mortgages

A pair of Georgia members of Congress plan to introduce legislation that would allow homeowners to use their retirement savings to pay down a mortgage without penalty.

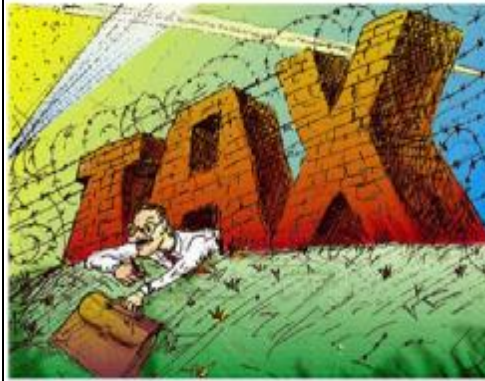
The bill, to be introduced by Republicans Rep. Tom Graves and Sen. Johnny Isakson, is designed to help homeowners struggling to make payments.

People with retirement accounts such as a 401(k) typically face a 10 percent penalty for withdrawals before they turn 59 1/2 years old, though there are several hardship provisions that allow some people to avoid the penalty, including medical expenses and college tuition. The bill adds a mortgage payment to the list of hardships, allowing a withdrawal of up to \$50,000 or half of the value of the account — whichever is smaller — to pay down a mortgage on a primary residence.

Tax Lien Rules

If you have a federal tax lien there are new rules related to withdrawing the lien by the IRS. Contact our office if your tax liability is now less than \$25,000.

The purpose of this newsletter is to provide current information on tax, financial and business developments and to suggest general tax planning ideas that may be appropriate in certain situations. The opinions are generalizations and may not apply to all taxpayers, so it is important that you seek our professional advice before implementing any tax strategies mentioned in this publication.



Tax Crimes

An orthopedic surgeon and his brother were convicted of conspiracy to defraud the government, obstructing the administration of the tax laws, filing false income tax returns and aiding and abetting the preparation of false tax returns. The district court carefully recounted the evidence of the brother's willfulness, including their use of a series of domestic and offshore entities to move money from the surgeon's PSC to offshore accounts from which he benefited without paying taxes. The brothers received multiple warnings that the scheme was illegal, but did not amend the surgeon's returns until after the IRS's subpoenaed his accountant's records.

Think of America's debt as a family budget:

Family income: \$21,737
Annual expenses: \$38,188
Credit card debt \$16,451
Budget cuts/savings: \$385

Estate Taxes:

Surviving Spouses to Benefit from Portability Election

WASHINGTON — The Internal Revenue Service reminded estates of married individuals dying after 2010 that they must file an estate tax return to pass along their unused estate & gift tax exclusion amount to their surviving spouse.

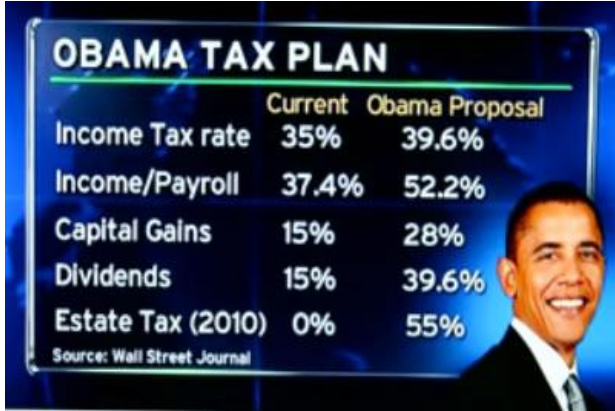
Available for the first time this year, the new portability election allows estates of married taxpayers to pass along the unused part of their exclusion amount, normally \$5 million in 2011, to their surviving spouse. Enacted last December, this provision eliminates the need for spouses to retitle property and create trusts solely to take full advantage of each spouse's exclusion amount.

The IRS expects that most estates of people who are married will want to make the portability election, including people who are not required to file an estate tax return for some other reason. The only way to make the election is by properly and timely filing an estate tax return on [Form 706](#). There are no special boxes to check or statements needed to make the election.

The first estate tax returns for estates eligible to make the portability election (because the date of death is after Dec. 31, 2010) were due as early as Monday, Oct. 3, 2011. This is because the estate tax return is due nine months after the date of death. Estates that are unable to meet the filing deadline can request an extension by filing [Form 4768](#). The IRS emphasized that estates of those who died before 2011 are not eligible to make this election.

Proposed Tax Code Adjustments

President Obama's tax increases on upper-incomers aimed at independent voters are the key to his re-election efforts. The administration figures that independent voters will support his argument that tax hikes on the "rich" must be a part of any major deficit reduction package.



	Current	Obama Proposal
Income Tax rate	35%	39.6%
Income/Payroll	37.4%	52.2%
Capital Gains	15%	28%
Dividends	15%	39.6%
Estate Tax (2010)	0%	55%

Source: Wall Street Journal

Among the items being considered:

1. Letting the Bush tax cuts expire for filers with incomes over \$250,000, bringing back the 36% and 39.6% brackets for them, starting in 2013.
2. Limiting the value of itemized deductions to 28% for high income filers, in effect, curbing writeoffs high income earners.
3. Imposing some type of minimum tax on millionaires.
4. Rolling back the estate tax rules to 2009 levels, a \$3.5 million exclusion and a 55% tax rate effective for estates of individuals passing away after 2012.
5. Hiring more IRS agents, boosting the agency's budget to raise revenue. IRS statistics show \$6 is brought in for every \$1 spent on enforcement.

Taxes will be a central issue in the 2012 elections. Republicans figure that the public will agree with their stance that tax increases will stifle job creation, while Democrats maintain the wealthy should share a higher percentage of the tax load.



YOUR 2011/2012 FALL/WINTER TAX CALENDAR

October 17 th	Final filing deadline for 2010 individual income tax returns.
October 17 th	September monthly payroll tax deposits for IRS and States
November 15 th	October monthly payroll tax deposits for IRS & States
December 1 st	Deadline for receiving 2011 1099 miscellaneous income payee social security numbers and addresses in this office.
December 12 th	Time to mail final state 2011 estimated payments to receive 2011 deduction.
December 15 th	November monthly payroll tax deposits for IRS & State
January 16 th	Deadline for 4 th estimated installment to IRS and State
January 16 th	December monthly payroll tax deposits for IRS & State
January 31 st	W-2s and 1099s due to payees

Estimated Taxes

January 16th, 2012 is the last estimated tax payment date for 2011 income tax estimates. If you feel you may owe for 2011, contact our office now to have your taxes estimated order to avoid late payment penalties on your 2011 returns.