



PIASCIK & ASSOCIATES
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November, 2005

Mr. A. Smith
ABC Smith Company

Dear Mr. Smith:

2005 Year-End Tax Planning

As the end of the year approaches, it is a good time for you to engage in year-end tax planning. You know your tax picture from earlier in the year and you have a pretty good idea of what it will be for the rest of the year. With that knowledge in hand, you are now in a position to take various actions that may save taxes for this year, next year, or both years.

We have compiled a checklist of actions that may help you to save taxes if you act before year-end. Many, but not all, of the items on this list apply to you. We believe we can narrow down the specific actions that you can take once we meet with you to consider a plan particularly suited for you. Please contact us at your earliest convenience so that we can set a mutually convenient date to discuss these issues:

In the meantime please take time to review the following list of possible year-end planning items:

- *Ideas for Employees:*
 - Increase the amount you set aside for next year in your employer's health flexible spending account so that you can get tax-free reimbursements for over-the-counter drugs, such as aspirin and antacids;
 - It may be advantageous to try to arrange with your employer to defer your bonus until 2005;
 - You may want to ask your employer to increase withholding of state and local taxes to pull the deduction of those taxes into this year (but only if doing so won't cause an AMT problem);
 - Those facing a penalty for underpayment of estimated tax may be able to eliminate or reduce it by increasing their withholding.
- *Ideas with respect to investments:*
 - If you have any capital gains or losses from sales of stock or other capital assets or you have stock or other capital assets that you are considering selling soon, you need to engage in some special year-end planning this year;
 - If you own matured E bonds, consider exchanging them for HH bonds to avoid realizing accrued interest, which would be taxed this year.



- *Ideas for business owners:*
 - If you own an interest in a partnership or S corporation that incurred a loss for this year, you may want to increase your basis in the entity;
 - Business clients should consider making expenditures that qualify for the \$100,000 business property expensing option. This is much more generous than it was in past years and applies to many more businesses;
 - Self-employed individuals should consider setting up a self-employed retirement plan.

- *Other ideas:*
 - You may be able to save taxes this year and next year by applying a bunching strategy to "miscellaneous" itemized deductions, medical expenses and other itemized deductions;
 - Consider doing one or more of the following before the end of 2005: extending your subscriptions to professional journals, paying union or professional dues, enrolling in (and paying tuition for) job-related courses, etc., to bunch into 2005 miscellaneous itemized deductions subject to the 2%-of-AGI floor;
 - You may want to settle an insurance or damage claim in order to maximize your casualty loss deduction this year;
 - If you receive Social Security benefits, you should consider taking a number of steps to reduce or eliminate tax on those benefits;
 - You can save gift and estate taxes by making gifts sheltered by the annual gift tax exclusion before the end of the year. You can give \$11,000 each year to an unlimited number of individuals, but you can't carry over unused exclusions from one year to the next;
 - You may want to pay contested taxes to be able to deduct them this year while continuing to contest them next year;
 - Consider using a credit card to prepay expenses that can generate deductions for this year.

These are just some of the steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you. Please call Ryan Losi directly at (804) 228-4179 if you are interested in having us perform your year-end tax planning.

Very truly yours,
PIASCIK & ASSOCIATES, P.C.

Ryan L. Losi, CPA, REALTOR
Business Development Manager