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October 28, 2011

Mr. Smith

Year-end Tax Planning

Dear Mr. Smith:

Year-end tax planning is especially challenging this year because of uncertainty over whether Congress will enact sweeping tax reform that could have a major impact in 2012 and beyond. And even if there's no major tax legislation in the immediate future, Congress next year still will have to grapple with a host of thorny issues, such as whether to once again "patch" the alternative minimum tax (e.g., to avoid a drastic drop in post-2011 exemption amounts), and what to do about the post-2012 expiration of the Bush-era income tax cuts (including the current rate schedules, and low tax rates for long-term capital gains and qualified dividends), and the expiration of favorable estate and gift rules for estates of decedents dying, gifts made, or generation-skipping transfers made after Dec. 31, 2012.

Regardless of what Congress does late this year or early the next, there are solid tax savings to be realized by taking advantage of tax breaks that are on the books for 2011 but may be gone next year unless they are extended by Congress. These include, for individuals: the option to deduct state and local sales and use taxes instead of state and local income taxes; the above-the-line deduction for qualified higher education expenses; and tax-free distributions by those age 70- 1/2 or older from IRAs for charitable purposes. For businesses, tax breaks that are available through the end of this year but won't be around next year unless Congress acts include: 100% bonus first-year depreciation for most new machinery, equipment and software; an extraordinarily high \$500,000 expensing limitation (and within that dollar limit, \$250,000 of expensing for qualified real property); and the research tax credit.

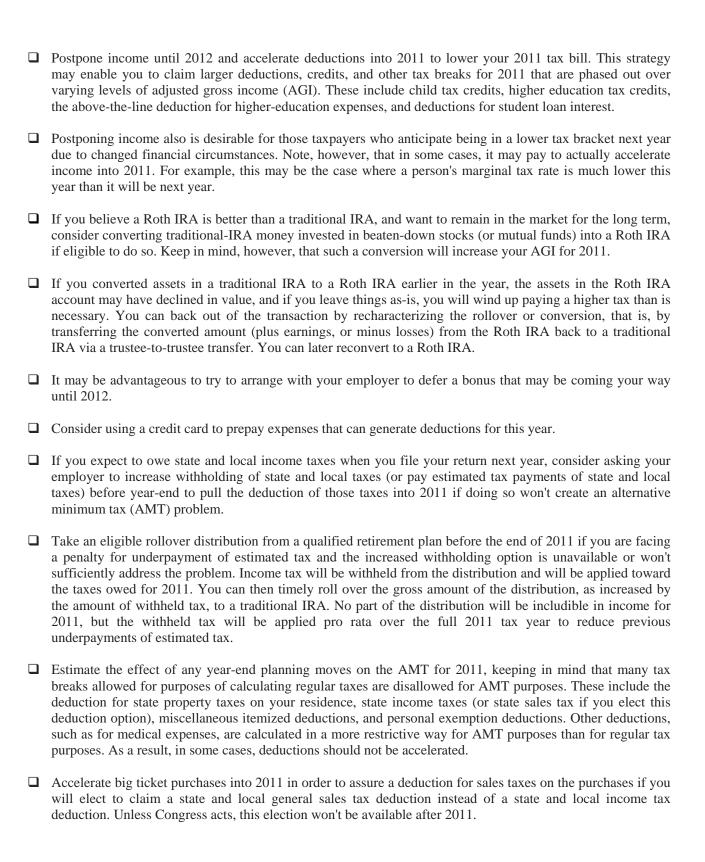
We have compiled a checklist of actions based on current tax rules that may help you save tax dollars if you act before year-end. Not all actions will apply in your particular situation, but you will likely benefit from many of them. We can narrow down the specific actions that you can take once we meet with you to tailor a particular plan. In the meantime, please review the following list and contact us at your earliest convenience so that we can advise you on which tax-saving moves to make.

Year-End Tax Planning Moves for Individuals:

Increase the amount you set aside for next year in your employer's health flexible spending account (FSA) if you set aside too little for this year. Don't forget that you can no longer set aside amounts to get tax-free reimbursements for over-the-counter drugs, such as aspirin and antacids.
If you become eligible to make health savings account (HSA) contributions in December of this year, you can make a full year's worth of deductible HSA contributions for 2011.
Realize losses on stock while substantially preserving your investment position. There are several ways this can be done. For example, you can sell the original holding, then buy back the same securities at least 31 days later. It may be advisable for us to meet to discuss year-end trades you should consider making.

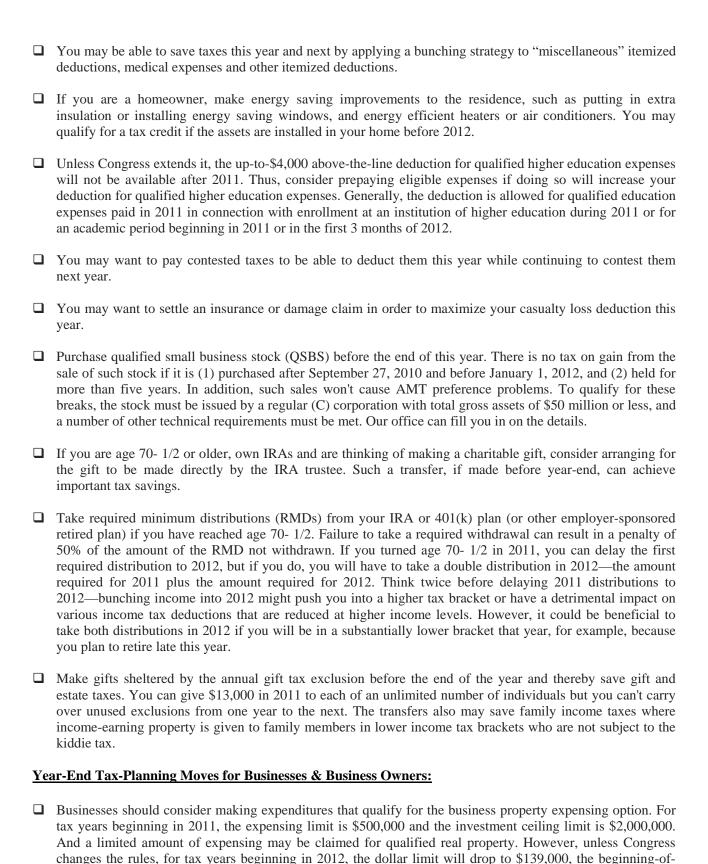
October 28, 2011 Page 2 of 4





October 28, 2011 Page 3 of 4







phaseout amount will drop to \$560,000, and expensing won't be available for qualified real property. The generous dollar ceilings that apply this year mean that many small and medium sized businesses that make timely purchases will be able to currently deduct most if not all their outlays for machinery and equipment. What's more, the expensing deduction is not prorated for the time that the asset is in service during the year. This opens up significant year-end planning opportunities.

- ☐ Businesses also should consider making expenditures that qualify for 100% bonus first-year depreciation if bought and placed in service this year. This 100% first-year writeoff generally won't be available next year unless Congress acts to extend it. Thus, enterprises planning to purchase new depreciable property this year or the next should try to accelerate their buying plans, if doing so makes sound business sense.
- Nail down a work opportunity tax credit (WOTC) by hiring qualifying workers (such as certain veterans) before the end of 2011. Under current law, the WOTC won't be available for workers hired after this year.
- ☐ Make qualified research expenses before the end of 2011 to claim a research credit, which won't be available for post-2011 expenditures unless Congress extends the credit.
- ☐ If you are self-employed and haven't done so yet, set up a self-employed retirement plan.
- Depending on your particular situation, you may also want to consider deferring a debt-cancellation event until 2012, and disposing of a passive activity to allow you to deduct suspended losses.
- ☐ If you own an interest in a partnership or S corporation, you may need to increase your basis in the entity so you can deduct a loss from it for this year.

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you. If you would like to discuss one or more of the above planning or payment possibilities, or any other alternatives, in more detail, please feel free to call me directly at (804) 228-4179 or rlosi@piascik.com.

Very truly yours,

PIASCIK & ASSOCIATES, P.C.

Ryan L. Losi, CPA Executive Vice President

Ryan L. Losi, CPA, is a partner and Executive Vice President of Piascik & Associates, P.C. (www.piascik.com), providing domestic and international tax services to a broad range of clients throughout the United States and abroad. Losi leads the firm's international tax practice, advising clients in numerous countries spanning five continents. Since 2005, Losi has served as a program partner with the Virginia Economic Development Partnership's (VEDP) national award winning export program known as the Virginia Leaders in Export Trade (VALET), where his focus is to assist Virginia based companies grow internationally. He also speaks regularly about 20 times a year and teaches domestic and international taxation at the Executive MBA program at Virginia Commonwealth University. In 2010, Losi was recognized among Virginia's "rising stars" in the CPA profession, with a Top 5 Under 35 Award by the Virginia Society of CPAs. Losi is a 1997 graduate of Virginia Commonwealth University. He can be contacted at Piascik & Associates by phone (877) 527-2046 or e-mail rlosi@piascik.com.