

OCTOBER 2011 NEWSLETTER

Tax filing reminders

- * October 3 – Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2011.
- * October 17 – Filing deadline for 2010 individual tax returns on automatic six-month extension of the April 18 deadline.
- * October 17 – If you converted a regular IRA to a Roth in 2010 and now want to switch back to a regular IRA, you have until October 17, 2011, to do so without penalty.

Contact us soon for a year-end tax review

An important part of our service to you is to help identify actions you can take before year-end to minimize your 2011 income tax bill. Accelerating or delaying income and deductions, contributing to retirement plans, and taking investment losses are just a few of the strategies you might want to consider. There are also tax credits that require careful planning or they may be lost. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us for a year-end planning review.

Charitable contributions: More than just cash might be deductible

Many taxpayers give much more than just cash to their favorite charity. Many also provide their time, travel, meals, and other "out of pocket" expenses in order to assist the charity in doing good work. And while you can't take a charitable deduction for your time, you are allowed to deduct other expenses incurred in support of a charity, such as vet bills for your local humane society, or wood and nails for a "habitat" charity.

Let's examine your house of worship. It's possible for members to deduct evangelism travel expenses, even if the charity (a church in this example) never initiated, controlled, supervised, or assisted with the trips. The church fostered missionary work in general. Before the trip, the church provided the taxpayers with letters of commendation serving as introductions to other interfaith groups during the trip. And after the trip, the charity publicized the member's efforts to the other congregations. This allowed the taxpayers to deduct mileage at the prescribed IRS rate, air fare, lodging, and meals while on their missionary trip.

Consider the potential deductions for those taxpayers involved as board members to a charity, or simply significantly involved. In a recent decision, the Tax Court noted "control" by the charity is only one of the factors to be considered. You don't have to necessarily be controlled or directed by the charity to make your deductions stand up. But there should be a strong affiliation with the charity, and the taxpayer must be accountable to the charity.

There are recordkeeping requirements. Noncash contributions greater than \$250 must be acknowledged by the charity. The taxpayer will likely have to request this from the charity with a simple form, one which the charity will be happy to complete in order to secure your deduction and advance the mission of the charity.

Our Community Project Is Still Rolling

As mentioned in our September newsletter, we hope you'll join us in supporting a book drive for our African Library Project.

The books your family has out-grown can become treasures for a child in Africa. ALP makes it easy for us to make a lasting difference for many children, for many years to come. All it takes is a book. . .

We're collecting 4th-8th grade level books for **our assigned school library - Nohana Secondary School in Lesotho**. Perhaps being avid readers, you might be interested in supporting this worthy cause. Below are ideas for needed books.

- Non-fiction: science, health, art, etc.
- Paperback Juvenile literature/chapter books
- 4th-8th grade texts (English, math, geography, science)
- Atlases & Encyclopedias (post -1995)
- Paperback Thesauruses & Dictionaries
- Books with universal themes (friendships, animals, love)
- Books with inspiring stories with life skills lessons
- Educational games and puzzles, flash cards, brain teasers

If you've been trying to clean off your book shelves, and you have some of these books, please consider donating them to our book drive. Books are being collected through mid-November and we also have 3 drop off sites where you can leave your book donations. We'll check them weekly, collecting overflow as required.

1. Trinity Building outside Chan CPA offices, 16450 Los Gatos Blvd, Los Gatos
2. We've Got Your Back, 114 Royce St. Ste A, Los Gatos
3. Child & Family Counseling Group, 3880 S. Bascom Ave. Ste. #115, San Jose

Nine Tips for Charitable Taxpayers

If you make a donation to a charity this year, you may be able to take a deduction for it on your 2011 tax return. Here are the top nine things the IRS wants every taxpayer to know before deducting charitable donations.

1. **Make sure the organization qualifies** Charitable contributions must be made to qualified organizations to be deductible. You can ask any organization whether it is a qualified organization or check IRS Publication 78, Cumulative List of Organizations. It is available at www.irs.gov.
2. **You must itemize** Charitable contributions are deductible only if you itemize deductions using Form 1040, Schedule A.
3. **What you can deduct** You generally can deduct your cash contributions and the fair market value of most property you donate to a qualified organization. Special rules apply to several types of donated property, including clothing or household items, cars and boats.
4. **When you receive something in return** If your contribution entitles you to receive merchandise, goods, or services in return – such as admission to a charity banquet or sporting event – you can deduct only the amount that exceeds the fair market value of the benefit received.
5. **Recordkeeping** Keep good records of any contribution you make, regardless of the amount. For any cash contribution, you must maintain a record of the contribution, such as a cancelled check, bank or credit card statement, payroll deduction record or a written statement from the charity containing the date and amount of the contribution and the name of the organization.

6. **Pledges and payments** Only contributions actually made during the tax year are deductible. For example, if you pledged \$500 in September but paid the charity only \$200 by Dec. 31, you can only deduct \$200.
7. **Donations made near the end of the year** Include credit card charges and payments by check in the year you give them to the charity, even though you may not pay the credit card bill or have your bank account debited until the next year.
8. **Large donations** For any contribution of \$250 or more, you need more than a bank record. You must have a written acknowledgment from the organization. It must include the amount of cash and say whether the organization provided any goods or services in exchange for the gift. If you donated property, the acknowledgment must include a description of the items and a good faith estimate of its value. For items valued at \$500 or more you must complete a Form 8283, Noncash Charitable Contributions, and attach the form to your return. If you claim a deduction for a contribution of noncash property worth more than \$5,000, you generally must obtain an appraisal and complete Section B of Form 8283 with your return.
9. **Tax Exemption Revoked** Approximately 275,000 organizations automatically lost their tax-exempt status recently because they did not file required annual reports for three consecutive years, as required by law. Donations made prior to an organization's automatic revocation remain tax-deductible. Going forward, however, organizations that are on the auto-revocation list that do not receive reinstatement are no longer eligible to receive tax-deductible contributions.

This newsletter provides business, financial, and tax information to clients and friends of our firm. General information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

Thought for the month:

"It's better to lend a hand than point a finger." - Jackie Phillips -

As our continuing commitment to support you, please take advantage of our referral program. For each new individual client you refer, you get a \$50 discount on your tax invoice (once their returns are completed), and as a new client they get a \$50 discount PLUS a complimentary 30 minute consultation with Diana !