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We have all just survived a very sobering year – while trying to keep a sense of humor and hope intact. With the economy showing signs of stabilizing (perhaps?) and a fresh outlook as to what is and isn't important, we all march into a new year. We do hope that you and yours are doing well and we look forward to catching up with you soon.

In our continuing quest to find better ways to simplify your lives and ours, we have a couple of new twists this year. We ceased using ZMail for several reasons – one of which was the IRS edict that we could not use taxpayer's information for anything but tax returns. Taxpayers can reach out to us, but not the other way around.

So, at the end of December, we **LAUNCHED A BLOG**. You can find it by going to www.zaffore.com and clicking on the button on the homepage called "Blog." Easy enough, eh? We hope to post a few times a week with information and occasional diatribes to keep you posted on tax, financial and biz news that matters to you, our clients and friends. Please check it from time to time. We would love your comments either directly on the blog or via email if that is easier for you. Your blog posts will be public and your emails will not be—although we may quote you anonymously. If you have questions you'd like to see answered in the blog, shoot us an email. And feel free to shoot the blog info on to friends.

The second thing we've done to simplify life for you and for us is to add a **SECURE PORTAL** to our web site. You will find access to it on our web site www.zaffore.com and clicking on the homepage button that says Client Login. As we work with you this year to complete accounting and tax returns, we will help you set up your Login. Then, we will post to the secure portal a pdf of your financials, tax returns, backup documents, actual Quickbooks and Peachtree backups and so forth—whatever you and we want to post. We can each utilize the portal as a sort of FTP for large file exchange, up and down, but we plan to post the pdfs of your two most recent years of tax returns so that you can access them anywhere without the need to contact our office. You will have your own secure password that can be reset easily if you forget it. Of course, to use this system, you will need Internet access and an email account. The portal will work equally well for PC and Mac users. Cool, eh?

THE KABOSH ON SHARING INFORMATION. The portal helps us further overcome the IRS edict. We can no longer easily share your tax information with any third party. This is part of a massive privacy crackdown—not a bad thing—but it means that we can no longer send tax returns to mortgage lenders or student loan lenders or attorneys or anyone else other than you without having you fill out a form every time you request your return. Please keep in mind that we can **NEVER** speak to **ANYONE** about your tax return without your written consent. So, please do not have mortgage lenders or others call us before you have contacted us.

STATED INCOME LETTERS. Which reminds me to mention – have we learned nothing from the banking meltdown? We are getting requests again from lenders for “stated income” letters for self employed taxpayers. Apparently some CPAs are willing to say whatever (IMHO foolishly) in those letters, but we are not. We are held to a strict standard by the AICPA of which we are members. Under those standards, we cannot “guess” at your financial health or “take a stab in the dark” at whether or not you will be able to honor your commitment to your loan ten years from now. What we can say is that we know you, that you indeed file a business return. That’s about it. Name, rank, serial number. The lenders simply don’t understand that without a fairly complex and pretty expensive process, we cannot “attest” to your financial position. And we are pretty sure that you don’t want to pay for that attestation. We are more than happy to explain our position to your lender or you, and do what we can, given the standards, to help you with the loan process. Again, to even chat with your lender, we need your written and signed approval. Call us before the lender calls us.

TAX LAW OVERLOAD. There has been a TON of new tax law this past year. Please do visit the **blog** and peruse the list of topics to see if any are of interest/importance to you. We will be adding more to the blog every week so visit often just to check the list of topics. Before we dig into the nitty gritty of tax season, here are two thoughts that might affect you or yours:

1. Everyone in 2010 forward can **convert Traditional IRAs to Roth IRAs** – adjusted gross income limitations are now gone. If you convert in 2010, you can choose to pay the tax due in 2010 OR divide it between your 2011 and 2012 tax returns. That only applies to 2010 conversions. For a lot more information, see the Blog.
2. Another critical IRA issue: if you are required to take a minimum distribution from an IRA, you probably know that there was a hiatus in 2009. Well, 2009 is gone. **Do not forget to take your required minimum distribution in 2010**—steep penalties if you do not. If you are 70.5 this year and you own IRAs but don’t know what we are talking about...call us or call your investment advisor SOON. Preferably before that all important ½ birthday.
3. **Estate Tax Hiatus.** We all believed that Congress would fix the estate tax law before the dawn of 2010...but...the Senate decided to politicize it and...we have a MESS. You may have heard that there is no estate tax in 2010 and for right now, that is true. BUT (big BUT), before you rejoice, it also means that we have only a limited step-up in basis. Suffice to say here that if an estate has a fair market value of more than a million dollars, heirs will probably pay tax – no estate tax does **not** mean no tax at all. See the **blog** for more info. We all need to be in touch with our Senators to tell them that we want this fixed. The middle class gets pounded yet again. On the other hand, for those with large estates, a year without estate tax is a very good thing. Even without a step up in basis.

ALERT: If you or a loved one has an estate plan in effect (including via wills), VISIT YOUR ESTATE PLANNER SOON TO MAKE SURE THAT YOUR PLAN WILL DO WHAT YOU THINK IT SHOULD DO IN 2010 and beyond. Surprises are not a good thing in this arena.

Here We Go With Tax Season—the Nitty Gritty. You now have your very own plastic tax envelope in hand.....

1. Place the plastic envelope wherever you process your mail (near a shredder, for example).
2. As tax info arrives, **put documents directly into the envelope.** Immediately!
3. Review the **checklist on our web site—see Home Page and click on Checklist 2009--** as a reminder of items we need to do your return. **Place additional documents in the envelope** (ie HUD settlement sheets for **refinances** and new home purchase, car registration for deductible owner tax, **BASIS ON STOCK YOU HAVE SOLD**—or good clues so we can find that info--purchase date and number of shares purchased etc.).
4. If we normally send you a **printed personalized, detailed tax organizer**, you will **find it in this package.** If you haven't received an organizer and want one, call the office or drop us an e-mail. *Remember – use the organizer as a guide. It is not necessary to fill it out in detail. Unless you want to. We love it when you do, but...we still need your original documents—not that we don't trust you or anything...☺ (photocopies are ok—and faxes and pdfs.).*
5. If we normally send you an interactive organizer via e-mail, we will send it on or about February 1. If you would like to try out the e-organizer, let us know. Those of you who have tried E-Organizer in the past, love it – so any new takers this year?. One caveat: if your tax return is very complex, E-Organizer is **NOT** the best method. Give us a call for other caveats.
6. To get your documents to us (choose one or more):
 - ✓ Mail us the plastic envelope filled with the info you've gathered (you **MUST** put the plastic envelope into a mailing envelope—do not drop the plastic envelope alone into the mail – it is not tough enough to withstand the rigors of the US Postal Service)
 - ✓ Make an appointment and bring in your documents
 - ✓ Drop off at the office or in our brown client mailbox at the top of the stone steps
 - ✓ Fax
 - ✓ Scan and e-mail .pdf files

Remember: sooner is better.

HIGH NEED TO KNOW

CPAs are basically nosy. We want to know a lot about you – as we probe around, we might discover important ways to save you money or your bacon. So...please take a few moments to fill out the **questionnaire** enclosed (if you have an organizer, it is in the organizer) and then stick it in your plastic envelope. Your answers will:

- a. help you remember things you wanted to ask/tell us
- b. remind you of documents we will need to prepare your return
- c. help us **NOT** to overlook income and deduction items critical to your return
- d. uncover possible strategies to reduce your taxes now and in the future!
- e. all of the above and more. Really.

FULLY ENGAGED

PAPER ENGAGEMENT LETTERS: You will find your **engagement letter(s)** in your tax package (for your personal returns and *IF APPLICABLE*, for your corporations, LLCs, partnerships, trusts, gift and other returns). Under current regulations, **we cannot even start your tax return until we have a signed engagement letter.** So, please sign and **return THE COPY** of the engagement letter in your plastic envelope. **YOU KEEP the original letter on letterhead for your files.**

GREEN ENGAGEMENT LETTERS: Two-thirds of our clients requested “green” engagement letters this year sent electronically rather than by paper. You will receive your engagement letters as an attachment to an email with instructions. You will simply hit reply and send the letter back to us with a statement that you have read and agree to the understandings listed in the letter. That’s it! The forests thank you!

If you did not get a Green Engagement Letter this year and would like to join in next year, mark your questionnaire YES on electronic engagement letters.

PAYMENTS: When we call to let you know that your tax returns are ready, you can either pick them up or we can mail them to you. **Your invoice is included in the package.** Prompt payment is appreciated!! We accept cash, checks, credit cards, and compliments (along with payment). We do not accept livestock but might consider jewelry. ***If your account is more than 30 days overdue, we will rebill you with a finance charge of 1.5% per month and a rebilling fee of \$5 per month. Sorry @. Do communicate with us if you are having difficulty paying the bill...we will set up a payment plan for you.***

WE WILL NOT COMPLETE E-FILING YOUR RETURNS UNTIL PAYMENT IS RECEIVED OR YOU HAVE COMMUNICATED WITH US REGARDING A PAYMENT PLAN. We appreciate your help. THANK YOU!!

****For **TAX CHECKLISTS** AND MORE INFO about mileage rates, Social Security limits, team gossip, QuickBooks updates etc etc****:

GO TO www.zaffore.com.

SEE YOU SOON!!!!!!!!!!!!!!