

H & R PYE'S TAX SAVER

December 2011

We are GREEN! If you are reading our newsletter on our website we want to thank you for helping us be a greener company. If you want/need a regular copy of our newsletter and checkoff lists, please call us and we will send one out to you.



Our after tax season Thank You Dinner for our Staff—where they surprised us with a Celebration of our 25th Business Anniversary.

We want to thank you for being our client. Thanks to you in 2011 we cele-

brated our 25th Anniversary of H & R Pye's Tax Service. It seems hard to believe that we started our business in January 1986 and that year served 56 clients; we now have over 1200! We appreciate the trust that you place in us in order to prepare your tax returns each year. We are still accepting new clients and graciously welcome your referrals.

If you have already called us to confirm your 2012 tax Appointment, you do not need to call us again unless you need to change your appointment.

We recently changed Practice Management Software and we would like to explain and apologize for a few issues:

- 1) the recent mailing to you was addressed only to the first taxpayer and did not include the spouse—the appointment label inside does have both names.
- 2) the software company is still working on developing a report so that we can get the information we need to create the Referral Credit Memos and the Referral Contest Winners.

Hopefully, these issues will be resolved very soon and we will be able to determine our winners and our next mailing will be addressed correctly.

We also want to apologize for the delay in getting the newsletter and appointment information out to you. We had good intentions on getting them out sooner, but things kept popping up to delay us. If you are reading this before January 1st, you can find out Year-end Tax Savings Ideas in our December 2010 Newsletter page 3 & 4.



How To Reach Us

If you have any questions about any of the articles in this newsletter (or any other tax matters) there are a number of ways to reach us: Local callers (207) 443-6183 Long distance callers 1-877-pyestax (793-7829) Fax us at (207) 443-8970

* Email us at hollpye@pyestax.com or ronpye@pyestax.com **Our website is** www.pyestax.com

* Our office is located at: 46 Varney Mill Road Bath, ME 04530

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Checkoff Lists

We have posted our personal checkoff list as well as our business checkoff lists on our website. Please make sure you review and address everything that applies to you.

We have developed specialized business checkoffs for Real Estate Agents, Day Care Providers, Long Haul Truckers, Fishermen and people with Rental Property.

Remember if you own a business you should have all your information totaled by categories in order to minimize any accounting fees.

Help us save a tree by bringing your Checkoff Lists with you - even if you haven't written anything down. **Remember** if you plan to mail in or drop off your information you must answer all the questions, if you do not it could delay doing your tax return because we can not take anything for granted. You also need to sign the Engagement Letter, the Disclosure Form, and the Client Information worksheet; these forms are available on our website..

Holly & Ron—2011 in Review

This has been a fun year, an exciting year and a stressful year.

The year started out stressful, because Congress couldn't get their act together in 2010 and get the tax package passed until December 17, 2010 which in turn caused delays for the IRS, all the States and our Tax Software Company which in turn caused delays for our office in completing and delivering the tax packages to our clients.

And here we go again, Congress still can't get their act together—they have extended it for 2 months—so we can listen to their bickering all over again in February as we wait to see if they will extend the Payroll Tax Holiday for the rest of the year. Let's up they can get their act together soon!!!!

The year has been fun and exciting because our darling granddaughter Caitlin, blessed our family with the arrival of her son—our Great Grandson Carter Tristen Pye Lee—who arrived healthy and hearty on March 29th!



Carter lives with his Mom and Dad in North Carolina where Caitlin is finishing up her Senior year of College. How time flies—it seems like just a short time ago when she was this small!

Instead of going down after tax season to meet our Great Grandson, we decided to bring Caitlin, Carter and Stevie (Caitlin's significant other and Carter's Daddy) up to Maine for 2 weeks last May so everyone could meet the newest member of our family. He is a very happy baby and a big boy—at his last checkup in was in the 95% of his age group in height and weight. And he is already crawling all over the place!

We took them to Lincolnville Beach for Stevie's first lobster, as well as Rockland and Boothbay Harbor so they could see the water and just enjoyed being able to spend time with them.

All three returned at the end of October for a family get together with Caitlin's Mom's side of the family and yes, they got stuck here for an extra day because of the Halloween Snowstorm. (SMAC)

And they will be coming home (to Maine) on December 31st for a week. This time they are flying Southwest Airlines both ways—Ron and I will pick them up in Manchester and take them back for the return flight—so we don't have to worry about expensive flight change fees if the weather doesn't cooperate with the travel times.

Our niece Chelsea was accepted into the Disney College Internship Program at Disney World and reported for duty on August 22nd. Of course, we couldn't let her fly down there by herself so we decided to make a girls' trip out of it. Her mom,

my sister Cheryl—she is also our Office Manager, Jo—Cheryl's sister-in-law, myself and of course Chelsea flew down to Disney World on August 20th. We were to return, without Chelsea, on Saturday August 27th but Hurricane Irene had other ideas. The 3 of us got stranded for 5 extra nights at Disney World. We were fortunate that we had purchased travel insurance so most of our extra costs were reimbursed to us. We were also lucky that we had not left Disney World before we found out that our flight had been cancelled and that Disney World was able to extend our stay without changing rooms. Plus we had more days available to purchase on our Park Hopper tickets so we were able to go to the parks every day of our extended stay. We were also fortunate that our employers were understanding about our delay in returning home.

Unfortunately, the same day our flights were canceled was also the day that Ron suffered another bleeding attack and landed in the hospital up here. We had both had our Colonoscopies on August 17th and both had polyps removed. On the 27th, a scab broke loose and caused Ron to start bleeding. He ended up in the hospital and was given 4 units of blood. Fortunately, he did not need any surgery and everything healed up.

We have our great staff—April and Linda—to thank for covering for me while I was stuck in Florida and Ron was stuck in the hospital. And it was a great relief to me knowing that they were there to help Ron and watch over our kitties and our office while we were both away.

I studied for and passed both my Series 7 Securities License and Advisory License this summer. I now have all of my Security Licenses as well as Life and Annuity. If I can help you with any of your financial needs please call me and schedule an appointment to see me.

I was asked to participate in a State Tax Panel that was being presented in Massachusetts at the Northern New England Society of Enrolled Agents in October, my very first speaking engagement! I believe that I gave the other New England Enrolled Agents (over 60 in attendance) some good information about State of Maine taxes.

Being half way to Connecticut, we decided to keep on going and spend a couple of nights at Foxwoods. We had fun but no jackpot winnings this time.

The end of the year has been stressful because Ron had a minor seizure and minor stroke at the end of November. We dodged a bullet on this one because we did not realize that he was having a stroke. So we never contacted the doctor's office until the next day. He had only one real symptom—he was talking in incomplete thoughts (not slurring but missing words in his sentences) and he didn't realize he was doing it. Please make sure you are familiar with the signs of a stroke and don't hesitate to contact a doctor or 911 if you are concerned that someone may be having a stroke or heart attack—getting help quickly is very important!

A week later Ron had chest pain that was not controlled by Nitro so we called 911. Please make sure that you have

Unexpired Aspirin in your home and that you know where it is—it can save your life! After various tests it was determined that Ron had a small heart attack and that a small artery is blocked. Because of these incidences, the Doctors decided to put him back on Warfarin—which is a blood thinner—and unfortunately his blood got too thin and Tuesday December 20th he had another bleeding episode and landed in the hospital overnight—this time it was caught early enough that he did not need to receive any blood—they just needed to reverse some of the Warfarin’s blood thinning effects.

He is home, doing well and looking forward to Caitlin and Carter’s arrival on the 31st.

We do want to take some pressure off of both Ron and myself during tax season, which is one of the many reasons that we hired Cheryl 2 years ago. This summer she finished her 2nd income tax course and did very well in both of the courses. She will be a big help to us with a number of our mail in/drop off tax returns as well as special projects.

April Connors and Linda Johnson are also working with us year round on a part time basis as support staff. This will be their 2nd tax season with us and we are glad to have their help.

Peter Connors has come back to work early to help us get ready for tax season. Lynne Atkinson will be returning for her 3rd tax season and Art Hughes will be returning as well. Trica Spinney will be doing some special projects this year and we are hoping that John Brooks will be back for his 2nd year as well. We also want to welcome Doreen Babbidge—this will be her first tax season with us.

We still have our furry friends, Interest and Dividend, to help us with all our paperwork.

We have tried the last few years to keep our price increases as low as possible. We regret to say that because of our increased costs over the last couple of years of wages, fringe benefits, seminar fees, increased travel cost to get to seminars, office equipment and supplies, health insurance etc that we will be increasing our prices an average of 7%.

Are You Planning On Mailing Your Tax Information To Us?



Are you going south for the Winter or have you moved out of the area? We can still do your tax return. With mail service, e-mail service, fax machines and phone service, State boundaries no longer have to determine who you trust with your tax information.

We are requesting that all clients who mail us their tax information make sure that they use one of the following methods: Certified Mail, Return Receipt Requested; Express Mail; Federal Express; UPS. By using one of the

above methods, you will have the security of knowing that your paperwork will arrive safely and you will also have verification that it has arrived. These methods could also save a lot of mailing time and help us complete your return in a timely manner.



We receive correspondence from time to time and noticed that the envelope (or its contents) indicated the title "CPA". Please note that we are not CPAs, nor have we ever practiced as CPAs.

Holly is a CMA which is a Certified Management Accountant, the CMA designation differs significantly from the [CPA](#). The CPA targets public accounting and tests the knowledge required for public practice. The CMA focuses on internal requirements and targets corporate financial professionals. It has a broader industry related content.

In addition, both Ron and I are **Enrolled Agents**. The distinction between CPA, CMA and EA is very important, since our specialty as EAs is Federal Taxation and Tax Accounting. We have chosen that avenue because it gives us no geographical boundaries. In other words, we can practice in any of the 50 United States (or its territories) unlike a CPA who has a license that is State specific. Unlike Enrolled Agents, not all CPAs specialize in the area of “Taxation” and “Tax Matters”. A Certified Public Accountant is tested by the state in which he/she resides and found to be proficient in accounting. However, an Enrolled Agent has been tested and designated by the U.S. Treasury Department as being proficient in Federal Taxation and Tax Accounting. An EA must maintain their special expertise through continuing professional education to maintain their IRS accreditation. **(JFIT)**

Licensing Tax Preparers - The IRS is finally in the process of making sure that you have a way to know that the person you have hired to prepare your tax return meets minimum knowledge and education requirements.

The first thing that you need to be aware of, is that if you pay someone to prepare your tax returns, he or she must sign the filed copy as the preparer, include on the return his or her PTIN (Preparer Tax Identification Number) and provide you with a copy of your return. The tax return must not say self-prepared if a paid preparer was used. Your copy may be paper or electronic, whichever you both agree upon. Future mandates will require that Registered Preparers pass competency tests and obtain continuing tax education every year.

You can rest assured that both Ron and I are Enrolled Agents, which means that we have passed IRS administered technical competency tests on Federal Taxation. We take numerous continuing education courses and seminars every year. In fact, this year we have taken 10 plus days of continuing tax education.

We wish you a happy, healthy and prosperous New Year!

Speaking of Charitable Contributions, a few reminders:

Taxpayers who itemize deductions can deduct cash contributions and the fair market value of most property that is donated to qualifying charitable organizations. With 275,000 charitable organizations having their tax-exempt status revoked for not filing their annual reports, it is important to make sure the donations they make will qualify for a tax deduction by verifying whether or not a charitable organization is a qualified organization. Donations made to an organization prior to the organization losing its tax-exempt status remain tax deductible. Donations made after the revocation date may still qualify to be tax deductible if the organization has been retroactively reinstated. If your organization was dropped from the approved list, you can apply for reinstatement with the IRS by December 31, 2011. (CAPAR)



Timing of donations: Donations are deductible by the taxpayer in the year the charity receives the donation. For example, a taxpayer pledges a contribution of \$1,000 and pays \$300 in 2011 and \$700 in 2012. The \$300 contribution is deductible in 2011 and the \$700 contribution is deductible in 2012. In addition, contributions by credit card or check at the end of the year are deductible if the charity receives the contribution on or before December 31. Even though the credit card may not be paid or the check not cleared until January, the contribution is deductible for the year received by the organization.

Value received in exchange for a donation: Taxpayers who receive something of value in return for the donation can only deduct the amount that exceeds the fair market value of the benefit received. For example, Bill donates \$100 to a qualifying charitable organization and in exchange receives a ticket to an event valued at \$20. Bill can only deduct \$80 of the donation.

Larger donations: A taxpayer making any single contribution of \$250 or more must have written acknowledgement from the charity. The acknowledgement must contain the nature of the contribution (cash or goods), whether any goods or services were received by the taxpayer in exchange for the donation, and the amount of the donation. A taxpayer who makes contributions of an item valued at \$500 or more must complete Form 8283, *Noncash Charitable Contributions*, and attach the form to his or her tax return. Taxpayers must obtain an appraisal for donations of an item worth more than \$5,000.

Recordkeeping: Taxpayers should maintain records of contributions made during the tax year. For cash contributions, taxpayers should keep a copy of the cancelled check, credit card statement, payroll deduction record, or a written statement from the charity containing the date and amount of the contribution. Taxpayers should keep a record of the fair market value of goods being donated. You can get our **Non Cash Contribution Worksheet** on our website www.pyestax.com or you may call us and we will send one to you.

Good Tax News is Always Welcome Let's start with a **Commentary on Social Security** from the Kiplinger Letter dated September 23rd, 2011: Despite gloomy predictions from political candidates and interest groups...The Social Security system will remain on firm footing for the next 25 years. In fact, the surplus of collections over payments will keep growing until about 2022. After that, it will slowly shrink as more baby boomers retire and start collecting. Without changes, the surplus in the trust fund will disappear in 2035 or so. But the fund will be far from broke. There will be enough cash coming in to continue meeting 75% of obligations for an additional half-century, through 2085. What is the chance of Congress doing nothing to the program over the next 50 years? Zero. Since 1937, Congress has mandated 63 changes to Social Security...raising the tax rate 20 times and the maximum wage subjected to the tax 43 times. A combination of those actions, perhaps with a gradual boost of the retirement age, will add years of additional solvency to the program without major cuts in benefits. Bottom line: Congress will have to act again, but it doesn't have to act soon. The changes are likely to come in 2013 or 2015...after the next presidential election and in an odd-numbered year, when members of Congress aren't on the ballot.

Maine Governor Signs Budget Bill Impacting Personal Income Taxes: On June 20, Governor LePage signed H. 778, the state's budget bill, which calls for \$150 million in tax cuts. For tax years beginning after 2012, the legislation replaces the current personal income tax rate schedule of 2%, 4.5%, 7%, and 8.5% with a new tax rate schedule of 6.5% and 7.95%. Additionally, the new law conforms the Maine standard deduction amounts to the federal amounts for tax years beginning after 2011. Regarding Maine itemized deductions, H. 778 re-couples Maine law with IRC §163(h)(3)(E), which allows a federal itemized deduction for mortgage insurance premiums, for tax years beginning after 2011. Maine's personal exemption amount will be changed from a set dollar amount (currently \$2,850) to the same amount allowed for federal personal exemptions under IRC §151. This change is effective for tax years beginning after 2012. It really seems good to have Maine tax law again realign itself with Federal code.

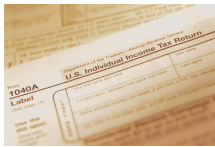


Interest

Dividend

Repeal of Onerous Form 1099 Reporting Law: Thank God!

“This was a nightmarish regulation that no one in the small business community wanted to deal with.” That’s how National Society of Accountants (NSA) Executive Vice President John Ams described the repealed law that would have required every business in America to send a 1099 Miscellaneous Income statement to every vendor that was paid more than \$600 per year for products and services. The U.S. Senate and House of Representatives repealed the unpopular law after business groups and other organizations protested that the law would impose onerous recordkeeping and paperwork requirements that would stifle business growth. People on the ground making a living every day could see this would be big problem and would not increase the revenue Congress was expecting. All it would do is cost businesses money and increase the burden on the IRS.”



Foreign Account Reporting. Any U.S. person (even non-citizens) must report any ownership of, or signature authority over any foreign financial accounts totaling over \$10,000 U.S. at any time within the year.

This may apply to you, for instance, if you are Canadian and have Canadian accounts, or if you have parents living in Canada and you are listed on your parents Canadian accounts. This is reported to the Treasury Department on Form TD 90-22.1 which we can prepare for you during your tax appointment.. This information is used by the government to discover illegal financial activity such as money laundering.

Seeking ‘Missing’ Pension Beneficiaries.

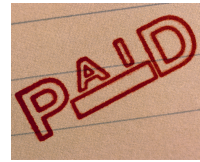
In the October 2010 AARP Bulletin, they mentioned that there are an estimated 36,000 Americans who have money owed them from pension programs. There is nearly \$197 million in unclaimed pension benefits awaiting rightful owners.



A quick search on the Pension Benefit Guaranty Corporation’s website (search.pbgc.gov/mp/) will let you know if you are a “missing participant”. Just search by your name, state or company. The PBGC is a federal agency that insures more than 29,000 pension plans in the event an employer files for bankruptcy or terminates the plan.

Missing Your Refund? The IRS is seeking to return \$164.6 million in undelivered checks to Taxpayers.

A total of 111,893 taxpayers are due one or more refund checks that couldn’t be delivered because of mailing address errors. If you did not receive your federal or state refund this year, go to our website www.pyestax.com and click on the tax center on the left side. Here you will find the link to check on your refund(s) for the current year. If you believe you did not receive a refund for a prior year, you will need to contact the IRS at 1-800-829-1040 and/or call your State Revenue Office (Maine is 1-207-626-8475). If you need a number for a different state please call us.



Do you file Schedule C, E, or F? Despite the repeal of the expanded 1099M filing requirements outlined in the ‘good news’ section, we find IRS asking two new questions on these forms. They are:

1. *“Did you make payments that should be reported on Form 1099?”*
2. *“Did you report them on Form 1099?”*

While we were very relieved with the repeal of the 1099M reporting requirements, we are quite disturbed to find these new questions to deal with. As with all tax matters, our advice is and has to be to follow all tax laws. The law requires the filing of 1099Misc for each person to whom you have paid during the year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a national principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds; or
- Gross proceeds of \$600 or more paid to an attorney.

In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.

Trade or business reporting only: Report on Form 1099-MISC only when payments are made in the course of your trade or business. Personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements. Other organizations subject to these reporting requirements include trusts of qualified pension or profit-sharing plans of employers, certain organizations exempt from tax under section 501(c) or (d), farmers' cooperatives that are exempt from tax under section 521, and widely held fixed investment trusts. Payments by federal, state, or local government agencies are also reportable.

Self-Employed Can Deduct Medicare Premiums: The IRS has changed its mind on whether self-employed individuals can deduct Medicare premiums as part of their above-the-line deduction for health insurance on Form 1040. In the past, the agency said that was a no-no. This year, the agency says it's okay. If you missed the write-off on your 2010 return—or even on your 2008 or 2009 return—file an amended return to claim the break and get a tax refund for any amount you overpaid. We think this applies for 2011 taxes as well. **(WMMIL)**

Miscellaneous Items: Cost of Living Adjustments are coming January 1st to Social Security Benefits and Medicare Premiums, as well as to the tax bracket amounts, the personal exemption, standard deductions, Medical Savings Accounts and more.

Your Estimate Isn't in the Mail: Thanks to federal budget woes, most U.S. workers will no longer receive annual Social Security benefits estimates in the mail. Workers can still get a personalized forecast of future retirement benefits based on their work history at www.ssa.gov/estimator, but the tool does not include all the information that has been available in paper benefits statements. The Social Security Administration hopes to resume mailing annual statements in October, but only to Americans age 60 and older who are not currently receiving benefits.

Do you have foreign bank accounts and/or investments? YOU MUST TELL US! IRS is serious that foreign income must be reported and the consequences are **severe** if this income is not reported.

A Great Opportunity for employers with misclassified employees: A New Voluntary Worker Classification Settlement Program; Past Payroll Tax Relief Provided to Employers Who Reclassify Their Workers as Employees!

The Internal Revenue Service has launched a new program that will enable many employers to resolve past worker classification issues and achieve certainty under the tax law at a low cost by voluntarily reclassifying their workers. This new program will allow employers the opportunity to get into compliance by making a minimal payment covering past payroll tax obligations rather than waiting for an IRS audit.

“This settlement program provides certainty and relief to employers in an important area,” said IRS Commissioner Doug Shulman. “This is part of a wider effort to help taxpayers and businesses to help give them a fresh start with their tax obligations.”

The new Voluntary Classification Settlement Program (VCSP) is designed to increase tax compliance and reduce burden for employers by providing greater certainty for employers, workers and the government. Under the program, eligible employers can obtain substantial relief from federal payroll taxes they may have owed for the past, if they prospectively treat workers as employees. The VCSP is available to many businesses, tax-exempt organizations and government entities that currently erroneously treat their workers or a class or group of workers as nonemployees or independent contractors, and now want to correctly treat these workers as employees.

To be eligible, an applicant must:

- Consistently have treated the workers in the past as nonemployees,
- Have filed all required Forms 1099 for the workers for the previous three years, and
- Not currently be under audit by the IRS, the Department of Labor or a state agency concerning the classification of these workers.

Interested employers can apply for the program by filing [Form 8952](#), Application for Voluntary Classification Settlement Program, at least 60 days before they want to begin treating the workers as employees. Employers accepted into the program will pay an amount effectively equaling just over one percent of the wages paid to the reclassified workers for the past year. No interest or penalties will be due, and the employers will not be audited on payroll taxes related to these workers for prior years. Participating employers will, for the first three years under the program, be subject to a special six-year statute of limitations, rather than the usual three years that generally applies to payroll taxes. **AND** rumor has it that the IRS will keep mum about worker misclassification errors disclosed in this settlement program. While the agency usually shares leads on misclassified workers with the Labor Departments and States, there will be no swapping of information under this special program.



H & R Pye's Tax & Accounting Service
Registered Representative*:
Holly D. G. Pye, CMA, EA

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Dear Tax Client:

As your tax professionals, H & R Pye's Tax Service has always been interested in helping you minimize your tax bill and maximize the amount you keep. Both Ron and Holly have always been able to show you the tax savings available from investing in various ways. However, until recently, we have been unable to go that one extra step to help you devise and implement an investment plan to make that happen.

Menu of Services:

- Mutual Funds*
- Retirement Planning*
- College Planning
- Investment Services*
- Tax Preparation
- Accounting

To provide you with a complete range of tax and financial services, we are pleased to announce that we have expanded our practice to include investment planning and implementation services. Holly Pye has obtained her securities licenses and life and annuity licenses and has become a registered representative of H.D. Vest Investment Services SM, a non-bank subsidiary of Wells Fargo & Company. Holly is now able to offer you financial services using a total investment planning approach that considers more comprehensive solutions. These services include:

- *Investment Management
- *Family Risk Management
- *Education Planning
- *Business Planning
- *Cash Flow and Debt Management
- *Retirement Planning
- *Legacy Planning
- *Tax Savings Ideas

Stock market volatility can try the nerves of even the most seasoned investor. We have posted a number of market updates to our website www.pyestax.com. We want to encourage you to visit our website.

You already have placed a great deal of confidence in H & R Pye's by allowing us to prepare your tax return. Because of that, we are extremely familiar with your financial situation. Now, let Holly put her overall financial and tax knowledge to work for you in planning your financial future, as well.

Registered Representative*:
Holly D. G. Pye, CMA, EA

Sincerely,

Holly & Ron Pye, EAs

Holly & Ron Pye, EAs

*Securities offered through:
H.D. Vest Investment ServicesSM,
Member SIPC
6333 North State Hwy. 161,
Fourth Floor, Irving, Texas 75038
(972) 870-6000



Tax Tidbits That May Affect You and Yours

Standard Mileage Rates:

For 2011, the allowable deductions for the standard mileage rate for the period are as follows

Business:

- 51 cents for all business miles January 1st to June 30th
- 55.5 cents for business miles July 1 to December 31st

Charitable services: 14 cents a mile. This includes volunteer coaching.

Medical reasons:

- 19 cents a mile January 1st to June 30th
- 23.5 cents a mile July 1st to December 31st
- Remember to include mileage to pick up prescriptions.

Moving:

- 19 cents a mile January 1st to June 30th
- 23.5 cents a mile July 1st to December 31st

for job related moves that increase your work commute by 50 miles or more. Plus tolls and other out of pocket costs.

If you prefer, we now are able to provide the client copy of your tax return in PDF format on a CD. This format would permit you to print OR e-mail copies of your tax return when needed for a home or equity loan, financial aid, etc. One major advantage to this format is that we can add future tax returns to the same CD, thus several years' returns will be compiled in one place. Please remember to bring back your CD so that we can add this year's taxes to it. We will prepare your CD after tax season.

Do you pay for Long-term Care Insurance? If you do, you may qualify for a tax deduction. Please let us know how much you pay for yourself, your spouse, and/or your parents.

Annual Gift Tax Exclusion. \$13,000 per person for 2011. If you give a gift greater than the annual exclusion per person you are required to file a Gift Tax Return. Please ask about this at your appointment. **If you get a gift, it is not taxable to you unless it was something that you sell.** You will have to report the sale and pay taxes on the gain. If this is the case, we will need to know how much the gift cost the original owner. The person who gives the gift does not get a tax deduction.

Retirement Plan Contribution Limits.

2011 IRA contributions (both regular and Roth) \$5,000 if you are younger than 50 years of age, \$6,000 if you are 50 years of age or older as of December 31, 2011.

Remember you must have earned income from wages or self-employment in order to put money into an IRA account. Your contribution is limited to the smaller of your earned

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income or the above limits.

Type of Plan	2011	Catch up	2012	Catch up
401K	\$16,500	\$5,500	\$17,000	\$5,500
457	\$16,500	\$5,500	\$17,000	\$5,500
403b	\$16,500	\$5,500	\$17,000	\$5,500
Simple IRA	\$11,500	\$2,500	\$11,500	\$2,500
Sep IRA	20% of Self Employment	Max of \$49,000	20% of Self Employment	Max of \$50,000

Tax-free charitable donations for taxpayers 70 1/2 or older—if you wish to make charitable donations and you are unable to itemize your deductions you are now able to have a donation made directly from your IRA to the charity (up to a maximum of \$100,000 per year) without having to report the distribution as income on your tax return. If you would like more information about this, please ask us. **(DKBUS)**

College Student in your family? - whether the student is yourself, your spouse or a child, there are possible tax savings available to you. Please remember to bring in your bills that show payments made in 2011 for tuition and fees. You should also receive a form 1098T—this is issued in the student's name, please bring that with you as well as the cost of the books and supplies purchased. If you have a 529 plan for your student, you can now use those funds to purchase computer hardware, software, internet access or related services that are to be used by the student.

Electronic Filing—is the safest way to file your tax return and the fastest way as well. Paid Tax Professionals are required to file the returns they prepare electronically for both the State of Maine and the IRS.

Thinking about taking money from your retirement accounts? Before you do this, please call us to discuss the tax cost and the alternative solutions that may be available to you.

Capital Gains for 2011 and 2012 will be taxed by the IRS at 0% for taxpayers in the 10% and 15% tax brackets, and at 15% for all others. The gain itself may put you in a higher tax bracket on your other income while part of the gain is taxed at 0% and part at 15%. Maine taxes capital gains as regular income with a top rate of 8.5%.

We do want to caution you about potential changes due to the large deficit that could affect the Capital Gains rate along with a lot of other tax laws. So if you want to take advantage of the 0% capital gains rate, we would suggest that you do it in 2011 or 2012.

If you have a dependent who is 23 or younger who has investment income greater than \$1900, the Kiddie Tax Rules will apply to their income. This means they no longer qualify to file a 1040-EZ. Their investment income has to be taxed at your tax rate. We want to encourage you to consider having us do their tax return. You can bring their information with you to your tax appointment although we can not

Tax Tidbits continued from page 8

guarantee that we will have time to do their return at that time. We may have to do it later and call you when it is ready. Alternatively, you can make an additional appointment to have their taxes done separately from your appointment. **(RENEW)**

Parents please let us know if you are bringing in your child's tax information so we can plan your appointment time accordingly.

First Time Homebuyer Credit Repayment

If you bought your home in 2008 and claimed the first-time homebuyer credit you will be repaying \$500 each year on your tax return until you have paid back the credit you received.

If the home is sold before the credit is repaid, any remaining credit is repaid in the year of the sale. The repayment is limited to the gain from the sale (unless it is sold to a related person).

If you bought your home in 2009-2011 and claimed the credit you do not have to repay the credit unless you sell the home or otherwise stop using the home as your principal residence within 36 months beginning on the date of purchase. The credit is repaid in the year of the sale. If the home is sold to an unrelated person, the repayment is limited to the gain on the sale.

Social Security Amounts for 2011 & 2012

- ? Social Security benefits are increasing 3.6% for 2012 while Medicare premiums are only going up \$3.50 per month for most Social Security recipients
- ? The earnings subject to Social Security tax remains \$106,800
- ? Earnings limit for those collecting Social Security who have not yet reached full retirement age remains \$14,160 (\$1,180 per month)
- ? Earnings limit for those collecting Social Security who have reached full retirement in the current year remains the same at \$37,680 (\$3,140 per month). Full retirement age is 66 for those born in 1943-1954.

Maine Tax Break for College Students Who Attend Maine Schools and Plan to Live and Work Here

The Opportunity Maine Program provides a state income tax credit for student loan payments made by degree earners who live, work and pay taxes in Maine following graduation. Alternatively, the tax credit would be available to Maine businesses that make their employee's educational loan payments. Learn more about this program by checking out the website www.opportunitymaine.org and sign up for it at your school's financial aid office.

The Federal Energy Tax Credit

"Green" Upgrades: The majority of tax credits for energy efficiency home improvements expired at the end of 2010. However, you can still get the 30% credit (no cap) on larger "green" home improvements such as installing solar panels, wind turbines or geothermal power.

The regular Energy Tax Credit has caps on the amount of credit you can get on specific items. You can save up to 10% of the cost of energy improvements to existing homes, up to \$500 after deducting any energy credits you received from 2006 to 2010. When you purchase items make sure they are ENERGY STAR compliant **and** that they qualify for the IRS energy credit. There is a 5 page list of items at the Web Site- www.energystar.gov that will help you know which items qualify.

Did you know.....

That we can still prepare your return if you have moved out of state —see information on page 3?

You can save money on your electric bill? —we want to encourage you to check out Electricity Maine at www.electricityme.com. They can do a much better job of explaining how it works, but it is worthwhile to get a hold of them. We have signed up for this and we are already saving money.

That Congress extended the Social Security Tax Cut just for January and February and you may want to plan accordingly for a decrease in your take home pay of 2% of your gross—in case Congress continues to play their political games?

That 85% of all household trash is recyclable?

It's a good idea to bring all of your 2011 checkbook registers to your tax appointment so if you have forgotten some information you may be able to look it up?



Save Money On Your Property Taxes

Have you owned your home for at least 12 months and a Resident of Maine? If you answer yes to both of these questions you should qualify for the Homestead Exemption—call your town office today and ask about them. You have to file your paperwork by April 1st in order to receive the deduction on your Fall taxes.

Are you or your spouse a veteran and at least 62 years old? If yes, you qualify for the Veteran's Exemption. You will need form DD214 when you call to your town hall. Thank you Bill Hames for this information.

Both of these exemptions only have to be applied for once and thereafter you will receive the reduction automatically. This is not a rebate instead it is a reduction to the amount of taxes you pay. They are for everyone regardless of your income. Any questions, call your town office. If you move to a new home, you need to request that they transfer these exemptions to your new home.



Maine Property Tax and Rent Rebate

The deadline is May 31, 2012 for this year's program. Unfortunately, the program has been changed, so fewer Maine residents qualify.

You may qualify for this Rebate if:

- You are single without any dependents and your 2010 income was \$64,950 or less
- You have a spouse or dependent(s) and your 2010 household income was \$86,600 or less.

And

- Your 2010 property tax was more than 4% of your 2010 household income; or,
- The rent you paid in 2010 was more than 20% of your 2010 household income. This year's program has again been reduced to 80% of the normal rebate.

We have been helping a lot of our clients get this rebate and if you would like our help please bring in your information at tax time and we will get this rebate done for you after tax season.

If you decide to apply for this rebate yourself, please read the instructions carefully because there are a number of items that need to be added into your income to calculate household income.

2011 Contest Winners!!



There were 6 client codes in the December TAXSAVER. We are sorry to report that only 1 client called in. Harold & Sylvia Ames (hsame on page 2) called in and won \$50.00. Unfortunately, Beverly Clark (bcla on page 4); Rita Dyer (rdye on page 5); Gary & Kimberly Howard (gkhow on page 6); Gregory & Anita Sprague (gaspr on page 8); and Gary & Karen Wallace (gkwal on page 10) did not spot their client codes.

Remember all you have to do is read our newsletters - not only will you have a chance to win, you also may learn something that may help lower your taxes.

Because we have switched to our Green Newsletter going forward the credit memos will be kept in your file in our office so that we have the information when you come in for your appointment.

The Preschedule Contest has a total of 6 winners, the first winner gets a \$25 credit towards our tax preparation fees, and each of the other winners gets a \$15 credit.

We want to congratulate the following winners of our 2011 Preschedule Contest, the winners receive a credit memo towards our services:

- Ainslie Murphy of Brunswick \$25
- Dwayne & Pamela Prior of Cushing \$15
- Robert Kingman of Topsham \$15
- Michael O'Hearn of Bath \$15
- Jerry & Jennifer Merrill of Bowdoinham \$15
- Joellan Pilgrim of Bath \$15

The Confirm Your Appointment Contest has 3 winners, each winner receives \$100 cash. We want to congratulate the following winners of our 2011 Confirm Your Appointment Contest:

- Ken & Liz Pecci of West Bath
- Richard Bonang of Lewiston
- David Toth of Topsham

In reviewing our records, we discovered that there were quite a few credit memos that didn't get written up in time for tax season last year. Please be assured that those credit memos for the 2010 referrals and the 2010 contest winners will be in your file and available to be used this year. We thank you for your patience.



Granddaughter Caitlin and son Carter enjoying a swing

Business Owners—Save 50% on our fees for preparing your W-2s and 1099s

One of the services we provide is preparation of W-2s and 1099s for clients that have businesses or rental property. These forms need to be postmarked on or before January 31st. In order to meet this IRS deadline we need to have your information by Monday January 16th, 2012. **If you have all of your information to us by January 16th, we will give you a 50% discount off the cost of preparing these forms for you.**

If you are missing addresses or social security numbers you need to work on getting this information now so that you will be able to qualify for the discounted prices. Please make sure the names match their Social Security card or their Federal Identification records.

Regular prices if we receive information from you after January 16th:

1099-1st one	34.00	1099-each additional	28.00
W-2-1st one	36.00	W-2-each additional	28.00

Discounted price if we receive information from you by January 16th:

1099-1st one	17.00	1099-each additional	14.00
W-2-1st one	18.00	W-2-each additional	14.00

As you can see, you will save a significant amount of money by getting us your 1099 and W-2 information by January 16th. We are offering this substantial discount because our workload substantially increases after January 16th and we need time to have these forms prepared by our staff for you.

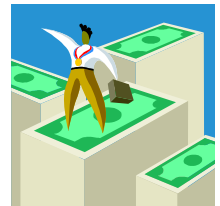
Employer Paid Health Insurance (to be reported on W-2) will not be taxable at this time. The rumors flying around the internet mandating employer provided health insurance be reported on the W-2 and added to taxable income are currently untrue. Employer provided health insurance is optionally reported on the W-2 for tax year 2011, and required to be reported for 2012. The following is quoted from the IRS. "This reporting is for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers. The amount reported does not effect tax liability, as the value of the employer contribution to health coverage continues to be excludible from an employee's income, and it is not taxable." However—don't be surprised if this changes in the future.



Business use of autos requires a written record be kept to substantiate such use. Commuting back and forth from home to your main job is not business use. A written record showing the date, purpose and miles driven for each business trip, as well as, the January 1st and December 31st odometer reading is the minimum information required. The IRS has accepted repair invoices showing the odometer reading at the time of repair towards verifying your total mileage for the year. If your mechanic is not writing the odometer reading on the repair invoice, you should. Also, providing us with copies of all business vehicle registrations would be helpful. The standard mileage rate in 2011 was \$.51 January 1st to June 30th and \$.555 from July 1st to December 31st. The standard mileage rate for 2012 is \$.55.



2011/2012 Contest Prizes



Make Sure You Look For Your Client Code - You Have Now have 6 Chances to Win!

Client Code Contest—December 2011 Newsletter: The first caller will receive a \$50 credit off their 2010 tax return preparation fee. The 2nd caller will receive a \$40 credit, the 3rd caller will receive a \$30 credit and the 4th thru 6th caller will receive a \$20 credit off their 2010 tax return preparation fee. You have a good chance to be a winner and you will get some good tax ideas, just by reading our newsletters. As well as a good chance to start 2012 off as a winner!

The deadline for claiming your Client Code prize is Monday **February 13, 2012**. Good luck and we hope you enjoy our newsletter.

Prescheduled Appointment Contest: 1st prize: \$25 credit memo, 2nd thru 6th prize winners each get \$15 credit memo towards our services. Deadline is **Friday January 20th, 2012**.

Client Referral Rebates Contest: \$6 credit memo for each referral; Special drawing: 1 to 2 Referrals \$50 Credit Memo; 3 or more Referrals \$75 Credit Memo.

Confirm Your Appointment Contest: Call and confirm your tax appointment by **Friday January 20th, 2012** and be entered into a drawing for 3 separate \$100 cash prizes.

Directions To Our Office

The directions are the same whether you're coming from Bath or Brunswick.

Get off the 4 lane Highway (Route 1) at the West Bath Exit. At the stop sign at the end of the ramp you're 3.2 miles from our office. You will turn right at this stop sign.

You are now on New Meadows Road, go to the end of this road. At the stop sign you will see our 1st black & white direction sign. At the stop sign you will take a right turn and then a very quick left turn.

You are now on Ridge Road. You will go straight the length of Ridge Road 2.1 miles. About halfway down Ridge Road, the road looks to be a natural right turn, *don't take this turn*. Keep to the left. You will come to a stretch of woods, don't be alarmed you're not lost. At the end of the Ridge Road there is a stop sign. You will turn right and go up a small hill.

After you go up the hill about 100 yards you will take your first left turn. You will see signs 'Children Playing', 'Dead End Street', '25 Miles Per Hour', and there is a street sign but it can be hard to see (it's on the left).

Our office will be the fourth home on the left, it's a blue mobile home with a large deck and garage with our office overhead. We are at 46 Varney Mill, there are numbers on our mailbox as well as our sign post. There is a H & R Pye's sign on some lattice work.