



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.

**Late S-Corp Filing** penalty has been increased to \$195 per month per shareholder.

**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 for 2010 is 50 cents per mile.

**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.

**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](http://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.



### Changing thoughts and ideas about state refund.

Many taxpayers get big refunds from both the IRS and the State. Many people state that is the only way they can save money to pay property taxes, make home improvements, pay for vacations, and to pay off other bills.

This year you should take a good look at your 2010 state tax return. If you get a large state refund, you might want to consider having less state taxes taken out of your paycheck. Then you could have the extra put in the bank or have the extra go into your federal withholding, thereby increasing your federal refund. **(hsame)**

There are several reasons you should consider cutting down the size of your state refund:

1. If your State is having budget problems, it may decide to delay State Refunds. In 2010, there were 6 or 7 States that (due to budgetary shortfalls) held up state refund checks until September, October and even longer. If you take steps minimize your refund you will not be impacted should your State decides to delay issuing refunds.
2. State refunds may artificially increase your Federal Adjusted Gross Income. If you receive a State refund and you itemized deductions on your 2009 return, your state refund becomes reportable income on your 2010 Federal tax return. The refund increases your federal adjusted gross income (AGI). The AGI is a critical computed value for many reasons:
  - A. This is one of the things that colleges look at when you apply for financial aid.
  - B. This is also the number that determines whether you qualify for a number of tax credits including: Retirement Savings Credit; Education Credits; Child Tax Credit; Childcare Credit; Earned Income Credit.
  - C. This is also the number that determines whether you qualify for certain tax deductions including: IRA Deduction; Tuition Deduction; Medical Deduction; and Misc. Itemized Deductions.

If you use the standard deduction on your Federal return, then you don't need to worry, because you did not get a tax benefit from the State income taxes you paid you don't report your State refund on your federal tax return.

**Bush Tax Cuts, Current & Expiration Levels**

Congress recessed in October with Senators and Representatives going home to do their campaigning for reelection without dealing with the expiration of the Bush Tax Cuts. At this time, they still have not resolved this issue. In case you are wondering about some of the items that will be effected, please see the chart below.

If Congress and the President do not extend the Bush Tax Cuts, almost all taxpayers are going to be effected in their pocket-books.

Tax Rates	2010 Level	2011 Reversion
Individual Income Tax Rates	10%, 15%, 25% 28%, 33%, 35%	15%, 28%, 31% 36%, 39.6%
Capital Gains Tax Rate	0% and 15%	10% and 20%
Dividend Tax Rate	5% and 15%	Ordinary income rates
Marriage Penalty Deduction	15% tax bracket for married couples is 200% of the 15% bracket for single taxpayers	15% tax bracket for married couples will be less than 200% of that for singles, resulting in higher taxes
Child Tax Credit	\$1,000	\$500
Itemized Deduction and Personal Exemption Limits	No Phase-out—full deductions and exemptions available	Deductions and exemptions phased out for upper-income taxpayers
Estate Tax	Repealed for 2010	Reinstated at a 55% rate and a \$1,000,000 per taxpayer exemption

**Year End Tax Savings Ideas**

It's that time of year again. Time to take steps to save yourself money on the tax return you will be filing soon. Although we have mentioned these ideas in the past they are well worth repeating. We all want to minimize our income tax burden each year.

**If you are able to itemize, please review the following suggestions for some some year-end tax planning.**

Start by looking at your itemized deductions. If your itemized deductions are just below or only slightly above the standard deduction (Married Filing Joint \$11,400; Head of Household \$8,400, Single \$5,700) you should think about moving your deductions from one year to another so that you itemize one year and use the standard deduction the next year. By doing this you will maximize your tax savings.

Another way to optimize your itemized deductions is to make and track your noncash contributions. We have a Donation Worksheet to help you compile your list and get values. If you need more worksheets please call us or get them

on our website. Remember to get a signed receipt for all donations.

You can move your itemized deductions (from one year to the next) by timing when your bills are paid for things that qualify for itemizing on your tax return. Bills to consider:

- January mortgage Contributions -
- Property Taxes
- State Taxes (if you pay estimated taxes)

Even if you itemize every year, you can also benefit from thinking about when you make these payments.

1. Double up on real estate taxes - prepay the 2nd installment or pay towards next year's taxes.
2. Make some (or all) of your contributions this year that you had planned for next year - clean out your closets before the end of the year (**Remember you need to make a list of what you are donating and get a signed receipt**) and help out others while helping yourself to a bigger tax deduction. If you need more donation sheets please call us or go to our website [www.pyestax.com](http://www.pyestax.com)

***You should complete the worksheet and total it before you come in for your appointment. If we have to do this for you we must charge you for our time.***

3. If you make estimated payments towards your income taxes, try to make your January State of Maine estimated payment before 12/31/10.
4. If you have extra money, make your January mortgage payment in time so your bank will post your payment before 12/31/10 - this will increase your mortgage interest deduction. You should check with your bank first to make sure that the early payment will post prior to 2011(so that the interest will be included on your mortgage interest statement for 2010) There are some banks in the area who will not do this, so please check first.
5. If you have a lot of medical expenses this year and believe that you will exceed 7 1/2% of your AGI, be sure to pay these by 12/31/2010. Go back over the past year and make a list of all out-of-pocket expenses for the dentist, eye doctor, doctors, prescriptions, eye glasses, as well as, hospital and lab fees. And don't forget to figure out your mileage to all of those places as well. You now get 16.5 cents per mile for your medical mileage.

**Other ways to save on your taxes:**

6. Wipe out the tax on investment gains. Sell assets on which you have losses before the end of the year, and use the losses to offset the capital gains you've taken earlier in the year, especially short-term capital gains which are taxed at up to 38.6%. In addition to offsetting an unlimited amount of capital gains with capital losses, you can use an extra \$3,000 of losses to offset salary and other income. Capital losses you can't use on your 2010 return can be carried forward and applied against gains and up to \$3,000 of other income in future years.

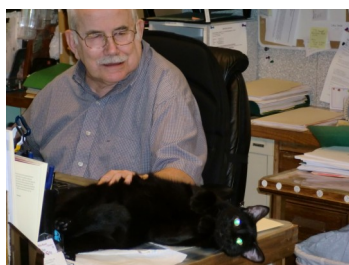
- 7. Put money into your IRAs, or if you have a business your Sep-IRAs, Keoghs, Simple-IRAs, or Solo 401k by April 18th 2011. Make sure when you make your contribution that you tell them it is for 2010! Simple-IRAs had to be set up by October 1st, so if you don't have one set up now it is too late for 2010 - but you can get it set up now so that it will be ready for 2011. You don't need to put any money in to get it set up. Keoghs and Solo 401ks need to be set up by December 31st.

The Simple-IRA has a January 31st deadline for the 'employee' contribution piece but the company match for the Simple plus all the other retirement plans mentioned above have at least until April 18th to make the contributions themselves.

**If you have a business:**

- 8. Buy equipment before the end of the year. You can deduct up to \$500,000 as a first year write-off with the IRS however Maine only allows \$25,000. By purchasing equipment now that you were planning to buy in the first part of next year, you will save on your tax return due April 18, 2011. If you delay the purchase until the first few months of 2011, you will have to wait until April 2012 before you will see the tax savings.
- 9. If you operate as a sole proprietor then you can hire your kids for the holidays. You don't owe Social Security, Medicare, or unemployment taxes on wages paid to your children who are under 18. Not only will you get a great tax deduction, but your children can shelter up to \$5,700 of income earned in 2010 with their standard deduction. Also, each child can put up to \$5,000 of their pay into a Roth IRA and never pay taxes on the accumulation (as long as Congress doesn't change to rules on Roth IRAs).
- 10. Hire your spouse. If you have no full-time employees, you can hire your spouse, and as a condition of employment, agree to provide him/her and his/her dependents with health insurance and medical reimbursement. This strategy will move your medical expenses onto your Schedule C, and save you income taxes and self-employment taxes as well. You will pay Social Security and Medicare taxes on his/her wages, but just as you do not have to pay Unemployment Taxes or Worker's Compensation on your children under 18, you no longer have to pay these for your spouse.

If you are interested in hiring your spouse and/or your children you will need to set up a payroll. If you would like more information on this please give us a call.



**New Rules in 2010 for Converting IRA to Roth IRA**

In the past, if your modified Adjusted Gross Income was greater than \$100,000 than you could not convert your Regular IRA to a Roth IRA. This limitation no longer exists for tax years beginning after December 31, 2009.

If you choose to do this conversion, you can pick up 1/2 of the income on your 2011 tax return, and the 2nd half on your 2012 tax return. Or you may chose to report the full amount as income on your 2010 tax return.

There are a number of tax planning considerations including what are the tax rates going to be for 2011 and 2012, what tax bracket are you in etc. **(bcla)**

Roth IRA Conversions may not be for everyone—in general they make the most sense:

- ☞ If you are able to pay the taxes with money from non retirement funds. If you have to use retirement money to pay the taxes, then you will have less money in the account to grow tax free.
- ☞ If you have a number of years until retirement. This allows more time for the money to grow tax free and offsets the fact that the tax is being paid up front.
- ☞ If you expect that your future tax rates will be higher than the tax rates you are paying now, either because your income will be higher at that time, or because rates in general will be higher.
- ☞ If you do not foresee a need to live on IRA withdrawals. Because Roth IRAs have no minimum distribution requirements, they can grow tax free even after you turn 70 1/2.

Roth IRAs are not necessarily the best choice for everyone—if you would like to discuss the advantages and disadvantages please call us.



**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:

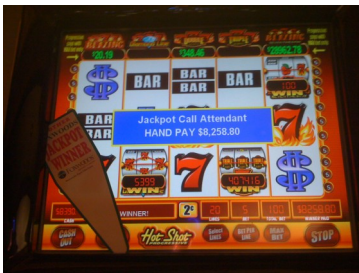
- \* Local callers **(207) 443-6183**
- \* Long distance callers 1-877-pyestax (793-7829)
- \* Fax us at (207) 443-8970
- \* Email us at [hollypye@pyestax.com](mailto:hollypye@pyestax.com) or [ronpye@pyestax.com](mailto:ronpye@pyestax.com)
- \* **Our website** is [www.pyestax.com](http://www.pyestax.com)
- \* Our office is located at: 46 Varney Mill Road Bath, ME 04530

### Holly & Ron Pye 2010 Review

We ended 2009 by taking a trip in December to Disney World in Orlando for a week. We celebrated our 25th Wedding Anniversary and Ron's birthday. We had tickets to attend Mickey's Very Merry Christmas Party—which was crowded but fun—and reservations for dinner and seats at the Candlelight Procession in Epcot. We went to a number of character meals and saw lots of Christmas Shows. Ron must have been wished Happy Birthday at least 600 times, and we were both wished Happy Anniversary almost as many times. The Christmas lights at Hollywood Studios were fantastic! And the weather was great—much cooler than the summer time—and only had one rainy day during the whole week.

2010 did not start well for us. January 4th Ron was spreading rock salt in the parking lot when his feet flew out from under him and he ended up with a serious concussion. He spent 2 1/2 days at Maine Medical and received at least 6 bags of plasma trying to thicken his blood to stop the bleeding in his head. Over the course of the next few months he ended up having at least 5 cat scans! He is doing much better, but still has some dizzy spells. It can take a long time to fully recover from a concussion. Please, if you ever have a head injury please make sure you go to the hospital—this is something where you are far better off to be safe than sorry!

After tax season ended, we took our usual trip to Foxwoods. We decided to stay for 3 nights and planned to leave after breakfast the 4th morning. We had not planned to visit the slots on the last day, but Ron suggested after breakfast that we should play for 1/2 hour. He must have had ESP! I was playing at a group of 5 machines that had a bonus round consisting of lottery tickets, playing each one for a few minutes and then moving on to the next one. I was doing okay—had won some small progressive jackpots—when all of a sudden—the machine I was playing came up with 4 lottery tickets. As they started the bonus round I was thinking to myself—'come on someone has to win the progressive—why can't it be us?' when the 1st ticket came up with the winning combination for the \$100+ progressive, the next ticket had a \$2 winner, and then the next ticket came up with the winning combination for the \$8000+ progressive jackpot!!!! I was screaming with excitement. Boy, that was thrilling. I will tell you though, what goes around comes around—within 1 month we found out that we had to replace the computer server in the office and almost the entire swimming pool—easy come easy go!



We decided to try a new tax conference this year and went to Las Vegas to attend the National Association of Enrolled Agents National Tax Conference at Mandalay Bay. There were

approximately 2500 attendees from all across the country. The conference was in the beginning of August (not the coolest time to be in Vegas) and we are very glad we attended. The instructors were very good, the hotel was great, and we got to see Terry Fator, the singing ventriloquist who won America's Got Talent a couple of years ago, it was a fantastic show.

### Relay For Life

We want to thank all of our clients who helped us raise money for the American Cancer Society Relay for Life. Ron and I were able to raise over \$5000 for this event.

### Our Granddaughter

Caitlin is a Junior at Mt. Olive College in Mt. Olive, North Carolina. She is enrolled as a psychology major hoping to work in criminal science maybe as a criminal profiler. Caitlin came up from North Carolina for a 3 week stay the end of May. We got to spend quite a bit of time with her, including a day trip to Bar Harbor and Cadillac Mt. It was her first time up there, and thank goodness the weather was nice.

She is on the cross country team and the track teams. Her sophomore year she won the most improved female track athlete of the year. In October, she surprised us when she came up on Columbus day weekend. At that time she informed Holly and I that we are going to be great grandparents in March. So far, she and the baby are healthy.

We are both glad that she taught us how to "Text Message", because it has made staying in touch with her so much easier.

### Our Niece and Nephew

Our niece, Chelsea graduated 6th in her class at South Portland High School in June. She is now a freshman at the University of Maine in Farmington, enrolled in creative writing. Her brother, Chapin is now a junior at South Portland High School. Their Mom Cheryl is the office manager at H&R Pye's Tax Service. Their Dad, Bob, works at Cracker Barrel in South Portland and Concord Trailways in Portland. (rdye)

The 6 of us went to Disney World at the end of June for a joint family vacation. This was their first trip to Disney and the first joint vacation for the six of us. Everyone had fun, enjoyed the parks, and our time together. We all got caught in a torrential downpour at the Magic Kingdom one night and got separated—thankfully cell phones brought us all back together.



### Our Furry Helpers

As many of you remember, last year was the first year that we didn't have any furry friends to help us greet you. We had to put 1040 and Depreciation down, a year apart, due to cancer.

Then 3 or 4 days before Christmas last year Lee (one of Holly's clients) came to the office carrying a pet taxi. He said that he could not see our office without any black cats. So he reached in the pet carrier and then picked up an all black cat that has a small white spot on her chest, her name is Dividend. Then Lee reached into the pet carrier again and brought out another cat. She has 4 white paws and a white bib on the front and a white belly. Her name is Interest. We had only one problem, 4 months of tax season was just around the corner. **(gkhow)**

Lee and Pat said that would be no problem. Since they have dogs and cats, they would keep them until the first of May. They did a great job kitty sitting and training. They have learned to take up half the desk when we do paper work; they also let us know when it's time to eat. Even though they are not sisters by blood—they are by heart—they love each other very much. They love us and we love them as well.

Interest is the talkative one, and it is fun to see her calling from the bedroom—no matter where Dividend is, she stops what she is doing, listens to her sister and almost always goes to see what she wants.



*Dividend and Interest lounging in Ron's office*

Lee and Pat we want to thank you very much for doing such a great job at picking out 2 great cats that fit well in our office setting and our life so well. We are sure that Coastal Humane Society in Brunswick thanks you for all you have done for them.

### Ron's 50th Class Reunion

In June I had my 50<sup>th</sup> class reunion from Morse High. The class of 1960 is a very active class even in non reunion times. There were 182 members in the class, 21 members have passed away, 85 class members attended the reunion. Members of our class came from the Virginias, Louisiana, and Carolinas to name a few states. Many of my clients are shocked at how active our class is.

It is the duty of the 50<sup>th</sup> class reunion to organize the Blue and White Golf Classic. We had many fund raisers going on to raise money for Morse High School and for scholarships. The mighty class of 1960 raised a record setting amount of money. We raised \$17,250 for the Raymond Farnham Scholarship Fund and \$38,500 for the Morse High Alumni Scholarship Fund so that's a grand total of \$55,750. Morse High School has one of the

## H & R PYE'S TAX SAVER

largest Alumni Associations in the United States. Mr. Farnham was the school principle when we were at Morse.

# Seasons Greetings

## In Case of Emergency

Everyone knows that they should have certain things readily at hand in case of emergency. **But, we wonder how many people actually take the time to get these things ready.** We want to suggest that not only should you take the time to prepare these items for yourself, but offer to help other friends and family gather these items—you could even make a social event of it. And wouldn't it feel good to know that you and your loved ones are prepared in case an emergency happens. We may not have many hurricanes or tornadoes in Maine but we do have other events that could result in us having to leave our homes.

Keep a supply of water, food, and first aid items in an easy-to-carry container in case you are evacuated because of a natural disaster. Have batteries, flashlights, emergency radios, warm clothing, water and non perishable goods (and a manual can opener please) in your vehicle (in case you are stranded on the road) and in your home in case of an extended power outage.

You also need to remember your pets. Have provisions for them such as food, water, any medications, bedding and if appropriate litter pan and kitty litter, as well, as their Vet's phone numbers.

But have you thought about the personal documents you might need? Get a fireproof, waterproof container, and put the items below inside:

- ☞ A CD or flash drive with photos of your home and valuable possessions or a video of the same - having an inventory of your possessions is an excellent idea and doing photos/video will help you try to remember everything in your home in case of fire or theft.
- ☞ Your insurance carrier's after-hours phone number for emergency services, plus the name and number of your insurance agent
- ☞ Copies of your insurance policies or declaration sheet, for both home and auto policies
- ☞ Credit card and bank account numbers
- ☞ Registrations, contracts, deeds, wills, and titles
- ☞ An ATM card and some cash
- ☞ Photo IDs, passports, social security cards, and immunization records
- ☞ Family records (birth, marriage, and death certificates)
- ☞ Prescriptions for medications
- ☞ Other key contact numbers (doctors, friends, family, co-workers)

Make sure it's easy to carry and in an accessible place in case you have to leave your home quickly. Also, consider storing copies of these items in another location; a relative's house or a safe-deposit box, for example.

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

46 Varney Mill Road  
Bath, Maine 04530  
Phone: (207) 443-6183  
Fax: (207)443-8970  
PyeH@hdvest.net  
<http://myhdvest.com/hollypye>

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](http://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 Services<sup>SM</sup>,  
Member SIPC  
A non-bank subsidiary of  
Wells Fargo & Company

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 2010, the allowable deductions for the standard mileage rate for the period are as follows

Business: 50 cents for all business miles

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

Medical reasons: 16.5 cents a mile; remember to include mileage to pick up prescriptions.

Moving: 16.5 cents a mile 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 2010. 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.

**Property Tax Deduction**—if you are not able to itemize your tax deductions, but you pay property taxes—whether on your home, vacation home or vacant land—you will be able to get an addition to your 2010 standard deduction of up to \$500 for a single taxpayer; or up to \$1000 for a married couple filing jointly. Please make sure you bring us the property tax payments when you come in for your tax appointment.

### Retirement Plan Contribution Limits.

2010 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, 2010.

Remember you must have earned income from wages or

## H & R PYE'S TAX SAVER

self-employment in order to put money into an IRA account. Your contribution is limited to the smaller of your earned income or the above limits.

Type of Plan	2010	Catch up	2011	Catch up
401K	\$16,500	\$5,500	\$16,500	\$5,500
457	\$16,500	\$5,500	\$16,500	\$5,500
403b	\$16,500	\$5,500	\$16,500	\$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 \$49,000

**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.

**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 2010 for tuition and fees. You should also receive a form 1098T—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. Starting with this filing season, paid tax preparers are subject to both the IRS and State of Maine **mandatory** electronic filing rules.

**Charitable Contributions**—since tax year 2007, to deduct any donations of money you must have a bank record, credit card statement or a written receipt from the charity showing the name of the charity, the date and amount of the contribution. Unfortunately, if you made a cash donation and do not have one of these receipts you will no longer be able to take the tax deduction. (**gaspr**)

**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** (in 2008 thru 2010) 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 in Congress after the recent elections 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



**Tax Tidbits continued from page 8**

do it in 2010 if possible.

**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 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.

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 Homebuyers Credit of up to \$8000 and Long Time Homebuyers Credit of up to \$6500.** The new law went into effect November 6th 2009 and expanded the eligibility requirements for purchasers.

First, some definitions:

A First Time Homebuyer is someone who did not own a home during the 3 years prior to purchasing this home. If you are married at the time you purchase this home, then your spouse must also meet this definition.

Long-time homebuyer is someone who purchases a home after November 5th, 2009 with a binding contract by April 30th, 2010 and a closing by September 30, 2010 **AND** during the previous 8 years (prior to purchasing this home) owned and used a previous home for at least 5 consecutive years. If you are married at the time you purchase this home, then your spouse must also meet this definition.

The deadline was April 30, 2010 and as long as you had entered into a binding contract by April 30, 2010, you had until September 30, 2010 to settle on the purchase.

For all qualifying purchases in 2010, you have the option to claim the credit on either your 2009 or 2010 tax return.

If you would like more information, please contact us.

**Social Security Amounts for 2010 & 2011**

- ☞ Social Security benefits will not change for 2011
- ☞ 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](http://www.opportunitymaine.org) and sign up for it at your school's financial aid office.

**Self-employed Health Insurance Deduction.** For 2010, and currently only for 2010, if you are self-employed you can now deduct your self-employed health insurance when you calculate your self-employment taxes.

**Paper Federal Tax Deposits Discontinued.** If you have been making your payroll tax deposits by using a coupon and going to your bank, you will not longer be able to do that starting January 1st. They expect this will save the government \$65,000,000 over the first five years. Of course it will cost businesses a little more stress because you will have to learn how to set up and use the EFTPS (Electronic Federal Tax Payment System) system. It takes several weeks to get set up to use EFTPS so please do not delay starting the process. Call us if you need help getting this set up, or if you would like us to help you with any of your payroll needs.

The **Federal Energy Tax Credit** can save you up to 30% of the cost of energy improvements to existing homes, up to \$1,500 combined for 2009 and 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](http://www.energystar.gov) that will help you know which items qualify.

The credit is a running total for 2009 & 2010 not to go over the \$1,500 in total credits (keep the invoices for your records). Installation costs count for some items, but not for others. The best thing to do is bring in the invoices for your appointment if there is any questions about the amount that qualifies.

**Tax Fraud Hotline**

If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by calling the IRS at 1-800-829-0433 or report on Form 3949-A (available at [www.irs.gov](http://www.irs.gov)). File Form 211 to receive a reward if applicable. Maine tax violations can be reported by calling 207-624-9600. The caller can remain anonymous.

**Our Web Site: It is up to date with our checklists, contribution worksheets and latest newsletters [www.pyestax.com](http://www.pyestax.com). If you haven't visited our website at [www.pyestax.com](http://www.pyestax.com) yet please do.** You will find many timely tax tips, helpful ideas on educational savings plans, business, retirement and social security. We think it's worth a visit and welcome your comments.

**Moved in the last year?** We can still prepare your return—see information on page 11.

### 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.

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 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 June 1, 2011 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 2009 income was \$64,950 or less
- You have a spouse or dependent(s) and your 2009 household income was \$86,600 or less.

**And**

- Your 2009 property tax was more than 4% of your 2009 household income; or,
- The rent you paid in 2009 was more than 20% of your 2009 household income. (gkwal)

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.

### 2009 Contest Winners!!

There were 6 client codes in the December TAXSAVER. We are very please to report that 4 clients called in. Shraden & Birgit Palmer of Topsham (sbpal page 11) called in first and won \$50 credit. Albert & Betsy Alley of Virginia (aball page 9) called in second and won \$40 credit. Joe & Joan McCole of West Bath (jimcc page 5) called in third and won \$30 credit, and Julie Edwards of Texas (juliedw page 1) called in 4th and won \$20 credit. Unfortunately, Charles & Jonna Wilson (cjwil page 3) of Pittston and Kathy & Doug Evans (kdeva page 8) of Harpswell did not call in.

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.

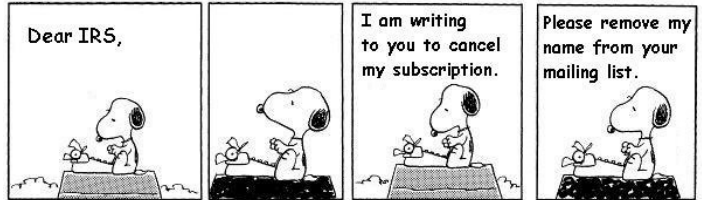
We want to thank everyone who referred a client to us this past year. No one referred more than 2 clients, so we only had the \$50.00 drawing. Jack & Jeannie Clark will be receiving a \$50.00 credit memo towards the cost of our services. Congratulations Jack & Jeannie!

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 2010 Preschedule Contest:
- |                         |             |
|-------------------------|-------------|
| Richard & Lisa Bouchard | \$25 credit |
| Paul & Kathy Ouellette  | \$15        |
| Eric Smith              | \$15        |
| James & Thelma Thomas   | \$15        |
| James Hanson            | \$15        |
| James & Kelley Goodwin  | \$15        |

The Confirm Your Appointment Contest has 3 winners, each winner receives \$100 cash. We want to congratulate the following winners of our 2010 Confirm Your Appointment Contest:

- Clifford Brown
- Bonnie Novak
- Gary & Linda Douglass



**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 17th, 2011. **If you have all of your information to us by January 17th, 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 17th:			
1099-1st one	32.00	1099-each additional	26.00
W-2-1st one	34.00	W-2-each additional	26.00
Discounted price if we receive information from you by January 17th:			
1099-1st one	16.00	1099-each additional	13.00
W-2-1st one	17.00	W-2-each additional	13.00

As you can see, you will save a significant amount of money by getting us your 1099 and W-2 information by January 17th. We are offering this substantial discount because our workload substantially increases after January 17th and we need time to have these forms prepared by our staff for you.



**Checkoff Lists Enclosed**

We have enclosed a personal checkoff list for everyone. We have had to increase the size to 2 full pages because of all the changes taking place. Please make sure you review and address everything that applies to you.

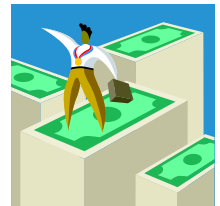
If you have a business, we have also enclosed a business checkoff list. We have developed specialized business checkoffs for Real Estate Agents, Day Care Providers, Truckers, Fishermen and people with Rental Property. If you have received a regular Business Checkoff list and you would like to have one of the specialized Business Checkoff lists please call us and we will send it to you or go to our website [www.pyestax.com](http://www.pyestax.com)

Remember if you own a business don't forget 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 we sent you. If you need these forms, they are available on our website.**



**2011 Contest Prizes**



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

**Client Code Contest—December 2010 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 2011 off as a winner!

The deadline for claiming your Client Code prize is Monday **February 14, 2011**. 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 21st, 2011**.

**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 21st, 2011** and be entered into a drawing for 3 separate \$100 cash prizes.

**A HAPPY NEW YEAR**



**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.

## 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.

H & R PYE'S TAX  
& ACCOUNTING SERVICE  
46 VARNEY MILL ROAD  
BATH, ME 04530

## In This Newsletter

Retirement Plan Contribution Limits  
New Rules for Converting IRA to Roth IRA  
Maine Tax Break for College Students  
College Students—Information We Need  
Year End Tax Savings Ideas  
Saving Tax Dollars  
Homebuyers Credit  
Capital Gains—0% Bracket  
Contest Winners and Contest Deadlines and Prizes  
How to Reach Us  
H & R Pye's Year 2010  
Maine Property Tax and Rent Rebate  
Save Money On Your Property Taxes  
Mileage Rates  
And much more that could save you lots  
Of money

**Your Tax Appointment and  
Checkoff List Is Enclosed**