H & R PYE'S TAX SAVER

December 2012

Please call by January 21st to confirm your appointment and be entered into our Prescheduled Appointment Contest!

Interest

If you had prescheduled your appointment, then we would have had it in this box for you. Since you did not **Please call to make your appointment as soon as possible.**

Dividend

We have decided to be partially Green this year. Our checklists and other forms are available on our website. Instead of a Christmas Card with your appointment, we decided to make full use of the postage and send out a small newsletter.

On our website you will find additional information about year end tax savings ideas, as well as general tax info regarding charitable contributions and other topics that may be of interest to you.

Congress has not been very helpful this year and we are still waiting for them to do their job and get the tax laws settled. We hope no one has been holding their breath on them getting this very important job finished! There is a very strong likelihood that we will not be able to file tax returns until Mid-February and possibly even later since the IRS can not finish their tax forms until Congress does their jobs, the States can't finish their jobs until IRS has finished their jobs, and the Software Companies can't finish their jobs until everyone else has finished theirs. It is an endless cycle!

We think it is time that we as Americans need to email, write or call our Congressional Members and tell them it is time to put what is best for AMERICA first and to get to work. For a complete list of email addresses for Congress/House, Senate, Governors & State Legislators go to www.conservativeusa.org

Some of the provisions that have already expired include:

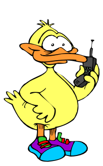
- Energy Credits except for Solar, Fuel Cell, and Geothermal
- Adoption credit—no longer refundable and only available for special needs children
- $250 deduction for teacher's out of pocket supplies
- Mortgage Insurance Premium deduction
- Using the sales tax deduction instead of state income tax deduction
- Tuition deduction—we still have the American Opportunity Credit and the Lifetime Learning Credit

Some of the provisions that are set to expire after December 31, 2012 include:

- The payroll tax holiday that reduced your Social Security (or FICA) tax withholding on your pay or self employment income. This means your take home pay will drop by 2% of your gross wages starting in January 2013.
- The capital gains rate of 0% and 15% will go up to 10% or 20% depending on your tax bracket.
- The 10% tax bracket will go away—so you will be paying 15% once you have taxable income.
- Qualified dividends will no longer receive capital gains tax treatment—so they will be taxed at whatever tax bracket you are in—for some taxpayers as much as 39.6%.
- The marriage penalty will be back—so if you are married you will have a smaller standard deduction and you will reach each of the tax brackets faster than you would if you were two single individuals living together.
- The following tax brackets will change:
  - 25% becomes 28%
  - 28% becomes 31%
  - 33% becomes 36%
  - 35% becomes 39.6%
- The credit for childcare is currently based on $3000 for one child, $6000 for two or more children. It will go back to $2400 and $4800 respectfully.
- The child tax credit for children under age 17, will drop from $1000 down to $500
- The refundable portion of the child tax credit will now require higher earnings before you will be able to get a refund of the additional child tax credit.
- American Opportunity Credit will go away and the Hope Credit will return.
- The increased Earned Income Credit for taxpayers with 3 or more children will go away. And the income cutoff for receiving Earned Income Credit will be lowered.
- Bonus depreciation
- Student Loan Interest Deduction after 5 years of payments

In addition, Congress still needs to pass the AMT Tax Patch (also known as Alternative Minimum Tax) or and estimated 26 million taxpayers will be forced to pay higher taxes in addition to the items we have already mentioned.

Higher Medicare Taxes will apply to some taxpayers. Single taxpay-



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 or ronpye@pyestax.com **Our website** is www.pyestax.com
* Our office is located at: 46 Varney Mill Road Bath, ME 04530

ers who make $200,000 or more and married taxpayers who make $250,000 or more will now be paying an additional .9% in Medicare taxes on their earnings. Those same taxpayers will be paying a 3.8% Medicare tax on their unearned income. Unearned income includes: Interest, dividends, rental income, income from partnerships, s-corporations, trusts and estates, net gain on property held for investments, annuity income, the excess gain on the sale of your principal residence.

As always, we will stay on top of the tax developments to make sure we do the best job possible!

Since no one knows what is going to happen with the tax rates and rules, it is very difficult to give you tax planning advice. The one thing we know for sure is that Capital Gains Rates thru the end of December are 0% if you are in the 15% or less tax bracket and 15% if you are in the 25% tax bracket or higher. So this may be a good time to sell those highly appreciated stocks and mutual funds you have so that you can take advantage of the lower tax rates. When you read this please call our office and tell us the article and page number you found this on, and be entered in our newsletter contest. If you have any questions on this matter, or any other tax matters, please call us and/or your financial professional.

Social Security earnings limit for 2013 if you have not reached full retirement age is $15,120 per year or $1,260 per month. In the calendar year you reach full retirement age you can earn $40,080 per year or $3,340 per month. Once you have been at full retirement age for a full month, you no longer have any earnings limit.

Social Security Earnings Reports will no longer be sent out on an annual basis but you can get these reports yourself by going only to the Social Security website. Workers turning 60 will continue to receive one mailed annually until benefits are claimed.

As you know, there are limits each year to how much you can give as a gift without having to file a Gift Tax Return, how much you can contribute to your IRA (Regular and Roth), your Deferred Compensation Plan at work, and your Health Savings Account. The following chart provides you with the maximum amounts for 2012 and for 2013.

	2012	2013
Annual Gift Exclusion	$13,000	$14,000
IRA contributions	$5,000	$5,500
IRA age 50 Catch Up	$1,000	$1,000
Simple IRA contributions	$11,500	$12,000
Simple IRA Catch Up	$2,500	$2,500
401k, 403b, and 457 plans	$17,000	$17,500
401k, 403b, and 457 Catch Up	$5,500	$5,500
Health Savings Accounts		
Self-plan	$3,100	$3,250
Family-plan	$6,250	$6,450
Age 55 Catch Up	$1,000	$1,000

D I V I D E n D

I N T E R E S T

The various mileage rates have also changed—this chart gives you the rates for 2012 and 2013.

IRS Mileage Rates

	2012	2013
Business	$.555	$.565
Medical/Moving	$.23	$.24
Charitable	$.14	$.14

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.

Also, if you have a business and need W-2s or 1099s prepared, you will get a 50% discount if you give us all of your information by Tuesday, January 15th. Remember, we need full name, address and social security numbers as well as the amount you paid them in writing. For our protection and yours we can not accept this information verbally. You can mail it, fax it , or email it to cheryl@pyestax.com.

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..*

2012 Contest Winners!!

There were 6 client codes in the December TAXSAVER. We are sorry to report that no one called in. Therefore, we have decided to replace the client code contest with a hidden message contest. In our newsletter, we have inserted "when you read this please call our

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

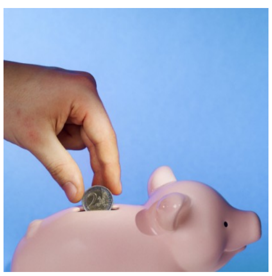
office and tell us the article and page number you found this on, and be entered in our newsletter contest". Everyone who calls in will be entered into a drawing and six winners will be drawn each receiving a $25 credit towards our services. Deadline to call in is February 1, 2013. Good luck to all of you!

The Preschedule Contest has a total of 6 winners, Gary & Kimberly Howard of Bath $25; Joseph & Joan McCole of Bath $15; Gordon & Darlene Field of Brunswick $15; Marie A Williams of Durham $15; James McPherson of Bowdoinham $15; and Kevin & Betty Fitzpatrick of Newcastle $15. Your credit memos are being held in our office.

The Confirm Your Appointment Contest has 3 winners, each winner receives $100 cash. We want to congratulate the following winners of our 2012Confirm Your Appointment Contest:

Janet Seigars of Wiscasset
David Labbe of Topsham
Juniper Hill Farm LLC of Bowdoinham

Saving Money For College & Getting Free Money



You have probably heard about the $500 Harold Alfond 529 grant for all Maine babies who are under 1 year old. The baby does not have to be born in Maine, just needs to be in Maine before their 1st birthday and you also need to sign up for the program before their 1st birthday. You do not need to put any of your own money into the account.

If you open a Next Gen 529 plan on or after January 1, 2011 and either you or the beneficiary is a Maine resident, there are 3 other ways to get free money for college.

1) Receive a one-time $200 initial Matching Grant if you open up an account for at least $50.
2) Receive a $50 automatic funding grant if you sign up for automatic contributions—the automatic contribution must be at least $50
3) Receive a NextStep Matching Grant of up to $400. FAME will make a 1/3 Matching Grant on contributions made to the account within the first 24 months the account is opened—to a maximum of $400

Please call and speak with Holly if you would like help setting up a Maine Next Gen 529 College Savings Plan.

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, 2013 for this year's program.

You may qualify for this Rebate if:

- You are single without any dependents and your 2011 income was $64,950 or less
- You have a spouse or dependent(s) and your 2011household income was $86,600 or less.

And

- Your 2011 property tax was more than 4% of your 2011 household income; or,
- The rent you paid in 2011 was more than 20% of your 2011 household income. Maximum rebate is $1600.

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.

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, e-mail, fax machines and 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.

If you would like to know when we will be working on your tax information, please call us so we can schedule a Paper Appointment for you. We will need to have all of your tax information plus the engagement letter, disclosure form, client information worksheet, and completed checkoff lists in our office prior to the appointment date so we will be able to work on your taxes at the appointed time. You also need to be available by phone or email during the appointment time so we can reach you with any questions we may have for you. This is a service we have been experimenting with for several years and it is working very well. Please call as soon as possible to make your paper appointment.

Holly & Ron—2012 in Review

This has been a fun and exciting year.

Both Ron and I are healthy and looking forward to seeing or talking with all of you this tax season. We hope that you have all had a happy and healthy year.

Our beloved granddaughter, Caitlin, graduated from Mount Olive College in May and of course, Ron and I went down and spent a week with her and our handsome great grandson Carter!

We got to see her graduate and we were also able to explore the Goldsboro area with them. Caitlin and Carter moved to Virginia for a few months and have now moved back to Goldsboro, North Carolina. She will be working as a Correction Officer and she is also looking into getting her Masters or PhD. We are very proud of her! And of course, Carter is the best great grandson ever!

Caitlin and Carter came up this summer for a visit. Carter has been walking since before his 1st birthday and we expected him to chase our kitties. But he didn't, instead he stood in the doorway to Ron's office and tried to get them to come to him by matching a clicking noise. He was sooooo adorable!

Ron and I went to Las Vegas in June for an Investment Seminar with H D Vest, the investment company I work with. Unfortunately, I misplaced our car keys (turned out they were in a pocket in our luggage but I didn't find them until I was unpacking the night after we got home!) and had to enlist both Linda and Cheryl to get the keys down to us in Manchester, NH where we had left our van. Needless to say, we were in a panic in Las Vegas trying to find the keys and are very grateful to Southwest Airlines for helping us get on our flight in time and to Linda and Cheryl for getting Ron's keys down to us.

For several years, we have talked about putting an addition on our office and we have finally done it! We replaced our deck with a smaller one, and built a 9 by 23 foot two story addition on the garage/office. Our stairs to the office/house are inside the addition and we now have a wheelchair lift/elevator inside the addition. We also have a small office on the first floor in the back of the addition. Our office is now blue and white instead of just being blue.

You no longer have to worry about the stairs being slippery in the winter and if you prefer to use the elevator you are more than welcome to use it.

We have a door phone outside, so if you come outside of our office hours, or you would like assistance with the elevator you can ring the door bell and we can communicate thru the phone and/or come down to help you.

The process of getting the addition done was long and involved so we ended up cancelling our Tax Seminar Trip to Chicago and our vacation trip to Disney World so that we could be here to oversee the construction process. Quite frankly, we had been getting nervous about going to Chicago because we were hearing on the news that it has so many murders there so we didn't mind cancelling that trip. Don't worry—we still went to quite a few tax seminars this year in the New England area. We were disappointed about cancelling the Disney World trip but we will go next year—possibly in the spring.

We also had our parking lot extended and parking lines painted including a handicapped spot near the office/house door.

We want to thank all of our contractors for doing a good job for us:
- Curtis Roundy— Superior Solid Surface
- Black Bear Medical—wheel chair lift/elevator
- Mac Hunter—Hunter Excavating
- Stephen Reil—Reil Tile
- Stephen Mosher—Mosher & Son Masonry
- Brandon Marsh—Sagadahoc Electric
- John McCloud—Phoneworks
- Ron Utecht—Midcoast Paving
- Dan Lemays—Lemays Parking Lot Striping
- Hancock Lumber—Designer and Materials

We also decided to splurge and get something we have always wanted—a chainsaw carved bear. It was made for us by Ray Murphy—a sawyer chainsaw artist in Hancock, Maine. He did a great job, and you can meet the bear at the top of the landing in the addition just before you enter our waiting room.

We want to thank all of our clients who helped us raise money for the Maine Coalition to Fight Prostate Cancer and the American Cancer Society's Relay for Life. We will again be asking you if you would like to donate to either of these fine organizations. All donations are appreciated, regardless of the size.

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

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Phone: (207) 443-6183
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Menu of Services:

- Mutual Funds*
- Annuities*
- Pension Plan Rollovers*
- Retirement Planning*
- Long Term Care Insurance
- Investment Services*
- Tax Preparation
- Accounting

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

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

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.

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	*Cash Flow and Debt Management
*Family Risk Management	*Retirement Planning
*Education Planning	*Legacy Planning
*Business 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.

Sincerely,

Holly & Ron Pye, EAs

Holly & Ron Pye, EAs

Client Referral Winners for 2011 and 2012

We are pleased to report that we are now able to run the reports we need to issue Client Referral Credit Memos and winners of the Client Referral Contest. Your credit memos will be in your file in our office.

The 2011 referral winners are Leon & Debbie Smith of Bath. The 2012 referral winners are Brian and Holly Hallowell of Mount Vernon. They have each won a $50 credit memo towards our services.

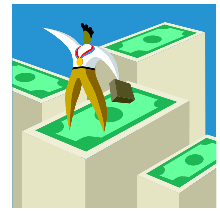
Congratulations to our winners and we thank all of you for referring clients to us.

In this newsletter you will read about:

Your tax appointment	Tax Law Changes
Higher Medicare Taxes	IRS Mileage Rates
Contribution Limits	Saving Money For College
2012 Year in Review	Social Security Earnings Limit
Contests and Contest Winners	

More information is available on our website:
www.pyestax.com

2011/2012 Contest Prizes



Make Sure You Read Our Newsletter For Your Chance To Win!

Hidden Message Contest—December 2012 Newsletter: Everyone who calls in after finding the hidden message will be entered into a drawing for six prizes of $25 credit memo each. Deadline is February 1, 2013

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 18th, 2013**.

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 18th, 2013** 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 a blue and white 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.