

Portney & Company
Certified Public Accountants & Business Consultants
Portney Consulting, LLC
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Dear Clients,

As 2011 begins, we at *Portney & Company, Certified Public Accountants and Business Consultants* and *Portney Consulting, LLC and Portney Management Group, LLC* send you our best wishes for a New Year filled with good health, new hope, and new beginnings. May 2011 open up for you more opportunities and lead you onto the path of continued success, happiness and prosperity.

Our Privacy and Security initiatives are on-going. Be assured that your personal and business information is held in the strictest regard. We have policies and procedures and equipment in place to protect your information. We have setup a secure server so clients can access their tax information safely and securely and this complies with all the new regulations we must abide by.

Full information about our services can be found on our web site at www.portney.com. We think you will be pleased with the many useful features and services there, such as our financial calculators, on-line forms and bill payment, timely articles and other user friendly information. Additionally, there are links to various sites with which we have strategic alliances. We encourage you to bookmark www.portney.com for your business and personal financial needs.

As you are aware, tax laws and regulations are in a constant state of change. As such, it is more important than ever to have an on-going relationship with your tax advisors at Portney & Company. We are prepared to review your situation and offer practical and effective solutions.

Individuals

The Making Work Pay Credit (MWPC) expired on 12/31/10 but was replaced with a new reduction in the employee portion of Social Security Tax from 6.2% to 4.2%.

For 2010, there is no federal estate tax. However the executors of estates where the taxpayer died in 2010 can elect to apply the 2011 exemption of \$5,000,000, with a maximum estate tax of 35%. Different rules for the step up in cost basis apply in these two years, meaning some estates may find the 2011 rules more beneficial. The estate tax was reinstated in the 2010 Tax Relief Act.

The tax rate on capital gains from the sale of assets held longer than one year remains at zero percent for people in the 10 percent or 15 percent tax brackets. The 15 percent maximum tax rate on long-term capital gains for taxpayers in higher brackets also remains the same.

Similarly, the special 5 percent maximum rate on dividends of taxpayers in the 10 percent and 15 percent tax brackets remains at zero percent.

Recent homebuyers are eligible to receive a tax credit of 10% of the purchase price up to \$6,500 if they bought and closed on a replacement home by September 30, 2010. In order to be eligible for the credit, homeowners must have lived in the same principal residence for any five-consecutive-year period during the past eight years. They are not required to sell or dispose of their current home, but the new home must become their principal residence.

For 2010 through 2012, the Hope credit is replaced by a new credit. Now called the American Opportunity Tax Credit, it provides a credit of up to \$2,500 per student per year for four years of college. It now also covers the cost of books, and begins to phase out at \$80,000 of Adjusted Gross Income for single filers and \$160,000 for joint filers. If the credit is more than your income tax liability, 40 percent of it is refundable. Also, the full credit is allowed against the Alternative Minimum Tax.

The credit for 30 percent of the cost of installing solar water heating equipment, solar electric equipment, geothermal heat pumps or small wind turbines in your primary residence or a second home is unlimited in 2010. But the credit for fuel cell property cannot exceed \$500 per half-kilowatt capacity.

529 College Savings Plans can now be tapped tax-free to pay for a computer or Internet access.

Due to health care reform, there are new restrictions on the use of funds in health flexible spending arrangements (FSAs) as well as new rules about keeping children under age 26 on their parent's family policy, and more;

For 2010, the standard deduction for married taxpayers filing a joint return is \$11,400, the same as in 2009.

For single filers, the amount is \$5,700 in 2010, up by \$250 over 2009. Heads of household can claim \$8,400 in 2010, up \$50 from 2009.

Non-itemizers can also add any casualty losses that occurred in presidentially-declared disaster areas.

Businesses

The recent passage of the Small Business Jobs Act of 2010 has extended two valuable tax incentives for businesses: 50 percent bonus depreciation and increased Code Sec. 179 expensing.

Additionally, 50-percent bonus depreciation is extended for qualified property that was placed in service before January 1, 2011. The Small Business Jobs Act also allows taxpayers to claim additional depreciation for the purchase of automobiles and light trucks through the end of 2010.

The maximum amount of equipment placed in service in 2010 and 2011 that businesses can expense was increased to \$500,000. And the annual investment limit was raised to \$2,000,000. The allowance drops to \$125,000 for tax years beginning in 2012

Businesses that hired new employees after February 3, 2010 and before January 1, 2011 may qualify for a special payroll tax exemption. The exemption effectively negates the employer's share of Social Security taxes paid on qualified new hires after March 18, 2010 and before January 1, 2011. Businesses also may qualify for a worker retention tax credit.

Health care costs are always of concern to employers, especially to small businesses. For 2010, small businesses may qualify for a new tax credit. The maximum credit is 35 percent for for-profit employers and 25 percent for non-profit employers. The maximum credit goes to employers with 10 or fewer full-time equivalent employees paying average annual wages of \$25,000 or less. The credit is completely phased-out for employers with more than 25 FTEs or with average annual wages of more than \$50,000.

There are many other relevant IRS topics affecting taxpayers today which have been subject to recent legislative, judicial and administrative changes. Our experienced staff has been fully updated on how to deal with the various issues and how they apply to your tax return. Visit our website for full details on the tax changes www.portney.com.

Please call us to schedule your tax appointment, or mail in your information as soon as it becomes available. In order to meet the filing deadline for your 2009 income tax return, your completed tax organizer needs to be in our office no later than **February 29, 2011**. Any information received after that date will require an extension of time be filed for your return.

To help you gather what you need **we would like to email you, upon your request, a personalized electronic tax organizer or a traditional paper organizer**. See our website, www.portney.com for more details and e-mail us at Info@portney.com to receive your organizer.

Upon receiving your request, we will send you **a password-protected email** that you can download to your computer, print, fill out and mail back to us, or you can fill it out directly online to our servers. **Of course, W-2 forms, 1099's, year-end brokerage statements, K-1's and cancelled estimated tax payment checks will also need to be mailed or scanned and emailed to us** Info@portney.com or brought to your appointment.

This year we are again offering **NETCLIENT CS**. This service creates a web account for you on our servers, in which we store copies of your tax returns for you. This service provides you with secure access 24/7 to your tax information for the current and prior years. You can even opt out of having a paper copy sent to you. A truly green process.

We truly appreciate the trust and loyalty shown us and wish you and your family a New Year of peace and prosperity.

As always, we have enclosed some tax related quips and cartoons for your enjoyment.

With warm regards,

Jack M. Portney
Portney

Mary Lou

Jack M. Portney, CPA

Mary Lou Portney, CPA

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Encl.

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