

## Winter Newsletter 2011-2012

Dear Client:

Happy New Year! We hope you had a happy, healthy and prosperous 2011 and we look forward to seeing you at your upcoming tax appointment. This issue of the newsletter contains a Tax Checklist to help you organize your tax documents and some frequently overlooked tax deductions that might help reduce your tax bill. Whenever we talk about taxes, the following caveats apply: "It depends," and "these deductions may not apply to all taxpayers." If you have any questions about these or any other tax-related matters, please let us know when you call to schedule your appointment. We look forward to seeing you soon!

**Charitable contributions:** In addition to the usual cash donations that you have made throughout the year, you may be able to deduct the cost of using your vehicle if you volunteer your time or provide a service to a qualified charitable, educational or nonprofit organization.

There are two options available for claiming vehicle expenses and, naturally, the IRS requires you to have "reliable written records" for either method:

To use the standard charitable mileage rate of 14¢ per mile, your records must show the name of the organization, the dates you drove your car for your charitable work and the number of miles driven.

To use the actual vehicle expenses, your records must show the costs of operating your vehicle that directly relate to your volunteer work.

You can also deduct parking fees and tolls regardless of which method is used.

So, if you are a scout leader, a Red Cross volunteer, spend a few hours helping out at the local Food Bank or are actively involved with your religious organization, your vehicle expenses may increase your charitable contribution deduction.

In addition to volunteer miles driven, you may have spent money out of your own pocket within the scope of your volunteer work. These expenses might include office supplies, uniforms, and even travel expenses if you were away from home while performing your charitable service. These documentation requirements for out-of-pocket expenses apply:

You must have "adequate records" to prove the amount of the expenses.

You must obtain an acknowledgement from the organization before you file your tax return that contains a description of the services you provide, a statement that says you were not reimbursed for the expenses, and that you receive no tangible (other than religious) benefit from the organization.

The final point under the category of charitable contributions, is simply a reminder regarding noncash contributions: In recent years the IRS has stiffened the required documentation for donations of clothing and other household items to nonprofit organizations like the Salvation Army or the Goodwill Industries. "Three bags of clothing" or "two boxes of books" is not an adequate description of the donated items to claim the deduction. You must have a list of the donated items along with the fair market value you have placed on those items, and some form of receipt or acknowledgement from the organization.

Here are a few handy websites to help you evaluate your noncash items:

Two different Salvation Army evaluation guides can be found here:

<http://www.satruck.com/ValueGuide.aspx>

<http://www.salvationarmysouth.org/valueguide.htm>

You can download an evaluation guide from the yellow box in the middle of this Goodwill Industries web page:

<http://www.goodwill.org/get-involved/donate/taxes-and-your-donation/>

This Usedprice.com link contains Blue Book valuations for different categories of noncash donations from television sets and computers to guns, musical instruments, power tools and more:

<http://www.usedprice.com/>

**Medical Expenses:** In addition to the usual deductions for out-of-pocket medical expenses like prescriptions, copays, dental work and glasses, you may also be able to deduct the amount that you pay for medical insurance premiums. The deduction is not just limited to medical, hospitalization and prescription plans, it can also include dental, optical (including contact lens replacement coverage), and certain qualified long-term care plans. Also, the amounts you pay for Medicare Part B and D, and in some cases, Part A, are also deductible insurance premiums.

As with the deduction for charitable miles, there is also a deduction for medical miles and the same two choices apply: the standard medical mileage rate or actual expenses. **Be aware** that the medical mileage rate for 2011 changed in mid-year! For medical miles driven from January 1 to June 30, the rate is 19¢ per mile; From July 1 – December 31, the rate is 23.5¢ per mile. You can also deduct parking fees and tolls regardless of which method is used for car expenses.

Looking back to 2011, it's been a relatively quiet year for tax changes, and we can all appreciate that! Congress passed the two-month extension of the Social Security tax reduction and will consider a longer extension when it reconvenes early in 2012.