

Berman and Sons, Ltd.
Accountants & Consultants
16147 W. Lincoln Hwy, Ste 200
Plainfield, IL 60586

Time for Taxes!

Dear Client,

Thank you for entrusting your 2010 tax return preparation to Berman and Sons. We look forward to being of service to you again this year. Please refer to the back page when gathering your information for this year.



What's New?

During 2011, Congress enacted tax legislation that continued most of the rules in affect for 2010, but not all. Plus, Illinois raised the tax rate 66% (from 3% to 5%). Most wage earners had their withholding adjusted by their employer but non-wage earners (investors, landlords, small business owners) will have to pay more tax in 2011. The make-work-pay credit of \$400-800 for wage-earners has been eliminated. The home buyer's credit (\$6,500-\$8,000) has also been eliminated except for qualified military personnel (must purchase home before 5/31/11). The residential energy credit has been reduced from \$1,500 down to \$500 and cannot be claimed if you claimed at least \$500 over the last 2 years.

Highlights

- √- Roth conversions. For those who did a conversion in 2010 and opted to defer the tax, you must include 1/2 of the distribution in income for 2011 & 2012.
- √-Sale of stocks or mutual funds require additional paperwork this year (see page 2 for basis details.)
- √- 0% tax on capital gains (and capital gain distributions from mutual funds) for those in the 10% or 15% tax bracket.
- √- Up to \$8,000 refundable credit for first-time home buyers (qualified military only.) Bring purchase papers (HUD-1).
Returns cannot be filed electronically.
- √- Special tax breaks for military personnel. Bring proof of service (deployment) dates.
- √-Charity – no more “cash donations” without receipt from charitable organization. You must have a receipt or proof of payment for each and every item claimed on your return. (bring receipts/proof.)
- √-Tax relief if residence lost due to foreclosure (bring F-1099C), or reduced principal balance under federal relief program.
- √- Credit for “qualified” residential energy improvement. You must bring manufacturer’s certification.
- √-“Kiddie Tax” now applies to dependent children under age 24. Includes nonwage income in excess of \$1,900.
- √-Sales tax deduction for some taxpayers. Bring receipts for large purchases (autos, boats, campers, building materials.)
- √-College tuition deduction (maximum \$4,000.) AGI limits apply.
- √-Teacher’s classroom supply deduction (maximum \$250 per employee.)
- √-Mortgage insurance premium deduction if residence acquired after 12/31/06.
- √-Illinois Education Credit (up to \$500.) Bring receipt for tuition/fees paid. School may provide Schedule ED.
- √-Child tax credit (Maximum \$1000) for each child under age 17. AGI limits apply.
- √-Donations of automobiles to charity require form 1098-C (Charity must provide.)
- √-College education credit (Maximum \$2,500 bring F-1098-T and proof of costs paid.) AGI limits apply.
- √-Tax credits available for purchasing certain fuel cell or plug-in electrical vehicles (bring purchase papers.)
Very limited number of vehicles apply.

See Back Page or Web Site for documentation requirements

\$\$ Referral Drawing \$\$

You can win up to **six, \$100 cash prizes**. All you have to do is refer a "New" client to us for tax preparation. "New" means we did not prepare their 2010 tax return. Simply fill out the referral card enclosed and give it to the prospective client. Ask them to present it to us when we prepare their return and the card will be entered into the April 16th drawing. We will pick **six** winning referral cards. There is no limit to the number of entries you may have. If you want additional referral cards, please call or pick them up from our office.

INFORMATION NEEDED TO PREPARE YOUR TAX RETURNS

In addition to page 1 items

- 1] All W-2 (wages), F-1099R (pension), W-2G (gambling winnings), F-1099MISC (contract labor), F-1099INT (interest earned), F-1099DIV (dividends earned and interest earned from savings bonds). F-1099G (State refunds) along with any K-1's (partnership, Sub-S, trust/Estate income.)
 - a] Cancellation/Reduction of debt (Form 1099-C). This is reportable income.
 - b] Foreclosure on or repossession of real estate. (Form 1099-C or 1099A) May be taxable.

- 2] Statements showing the amount of unemployment or social security (or SSI) benefits received.

3] ITEMIZED DEDUCTIONS (Sch A):

Medical Expenses Paid:

| | |
|------------------|----|
| Health Insurance | \$ |
| Other Expenses | \$ |

Real Estate Taxes Paid: **Bring tax bill**

| | |
|----------------------------|----|
| Primary Residence | \$ |
| Other property(non-rental) | \$ |
| Sales Tax(large purchase) | \$ |

bring receipts

Mortgage Interest Paid: (F-1098's)

| | |
|----------------------|----|
| Primary Mortgage | \$ |
| Equity/2nd Mortgages | \$ |

Charitable Contributions: **MUST have receipts**

| | |
|-------------------------|----|
| Cash/Checks | \$ |
| Non-Cash Items Value ** | \$ |

** IF OVER \$500. BRING DETAILED RECEIPTS STATING VALUE OF ITEM(S).

Employee Exp.'s:

| | |
|----------------------|----|
| Union/Prof. Dues | \$ |
| Job Education | \$ |
| Small tools | \$ |
| Uniforms | \$ |
| Safety boots/clothes | \$ |
| *Other _____ | \$ |

*Please Detail

- 4] Child care expenses, including REQUIRED information: Name, address and Tax ID# or SS# of provider(s).
 - a) Required even if you had dependent care assistance through your employer

- 5] Any other items of income or expense you feel may be applicable to your tax return, including:
 - a) Cost of college tuition and fees paid for yourself or dependents, including books and classroom materials.
 - b) College loan interest paid (include Form 1098E).

** IN ADDITION **

If you sold stock or mutual fund shares, or **exercised employee stock options**, we need BOTH the purchase AND sale papers, including 1099-B's,

IMPORTANT - Mutual Fund record keeping is very complex. Sales, withdrawals AND transfers are taxable events.

Contact your broker for cost basis, if available, otherwise, **contact our office for special worksheets**. If we are required to calculate the basis, an additional fee will be charged for that service.

If you bought OR sold a home or investment real estate in 2011, please bring:

- Closing papers from the SALE and original purchase papers if investment property (or second home) was sold.
- Closing papers from the PURCHASE of new property.

If you are involved in any of the following, we have special worksheets that will help you gather the proper tax information.

Please call our office for any of the following worksheets you may need, if they were not included with this letter.

Some of these worksheets can be downloaded from our Web page.

- [A] Business/work use of personal automobile and you were not reimbursed (also required if self-employed)
- [B] Purchase of rental property (bring closing papers.) Includes conversion of residence to rental property.
- [C] Rental Income/Expenses
- [D] Self-employment income - specify type of business as we have some custom worksheets.
- [E] Unreimbursed moving expenses, due to a change of work location (Must move over 50 miles)
- [F] Exclusive use of a **home office** to operate a business, perform substantial administrative duties for your business OR use of your home to provide daycare services.