

Thomas, Judy, and Tucker, P.A.

Welcome to the December 2003 Thomas, Judy & Tucker, P.A. newsletter. If you prefer to have this newsletter e-mailed, please call our office at (919) 571-7055 and give us your e-mail address, or e-mail it to us at heather.dickson@tjtpa.com

NEW TJT WEBSITE

It's up and running! Point your browser to www.tjtpa.com and explore our new website. We have added several new links for helpful tax, financial, business, retirement and nonprofit websites. You can find the federal AFR's by month, tax articles, tax calendars and state tax links. We have included many interactive financial calculators for such things as loan amortization, rent vs. buy analysis, and many comparative loan calculators. Our latest newsletter is available, as well as the contact information for all of our staff. We hope this will be a useful site for you. Please use it and let us know how you like it!

STAFF NEWS

Our team is growing!

- **Mike Elledge** is a new account manager in Accounting Services. Mike is a CPA with over 20 years of experience. Most recently, he was the controller for a professional services contracting company. He and his wife, Sandy, have one son and live in Raleigh.
- **Amie Piddington** has also joined our Accounting Services staff. Amie, who has an associate's degree from Wake Tech, plans to complete her B.S. in Accounting from Strayer University next year. Amie lives in Raleigh.
- **Jessie Blalock** joined the TJT team in September as a paraprofessional. Jessie comes to us with a background in the banking industry. She is attending NCSU, where she is working on her BS in Accounting. Jessie and her husband, Adrian, live in Raleigh.
- **Jennifer Driver** has joined our Accounting Services staff. Jennifer graduated from Campbell University in 2002 with a BBA in Accounting and has previous experience in public accounting. She and her husband, Kevin, live in Fuquay-Varina.

- **Somp Thilavanh** is the newest member of our financial statement team. Somp graduated in May from State University of New York College at Brockport, having worked in public accounting while a student. The CPA exam is on his agenda for 2004. Somp's family includes his wife, Carol, and their eight-year-old son, Calvin. Their family relocated from New York and now makes their home in Cary.

Growing families

- **Amy Parker** is now Amy Cook. She and her husband, Jeff, were married on October 11th. Congratulations to the newlyweds!
- **Lori Webb** and her husband, Travis, have a new addition! Grant Lee was born August 26th. We welcome him to the world and congratulate the new parents!
- **Heather Ray** and her husband, Chris, are also new parents! Bryson Ray was born November 2nd. Congratulations to the Ray family!
- **Cliff Thomas** and his wife, Peggy, have a new grandchild! Autumn Ann Walser was born to Tracy and Jason on October 24th. Autumn joins her big brother, Ian, in capturing their grandparents' hearts!

EFTPS ON-LINE UPGRADED

Many taxpayers have already been using the EFTPS system to remit payroll and other taxes automatically. The online web service for this system was substantially upgraded in July. In addition to making payments online, the system now enables the taxpayer to:

- > Schedule all four individual estimated tax payments for a year in one session,
- > Access payment history for a 16-month period of time, and
- > Search, print or download payment history by date, tax type, amount, form and other factors.

Other improvements are also included in the upgrade. The EFTPS is provided free by the U.S. Department of the Treasury. Many types of federal tax payments can be made by phone or online. Taxpayers can enroll in EFTPS online at www.eftps.gov or by calling 1-800-555-4477 or 1-800-945-8400.

ONLINE PROPERTY TAX LISTING

Wake County allows taxpayers to list their business personal property online. We can file this listing online for you if we have your account number and county-assigned password. This information is on the tax listing mailed to you by the county. Be sure to fax or send us this tax listing as soon as you receive it if you would like for us to file online for you. To do it yourself, the Wake County website is www.wakegov.com select "Online Services" and towards the bottom of the page is a selection for "Online Business Application".

EINs AVAILABLE INSTANTLY ONLINE

Most businesses can now obtain an Employer Identification Number (EIN) online directly from the IRS website. The application form can be completed and submitted online at the web site below. Select the "Employer ID Numbers (EINs)" option. The system instantly issues an EIN that may be used immediately. www.irs.gov/businesses/small/index.html

TJT IN THE NEWS

If you read US News and World Report, you may have seen some folks you know in the August 11, 2003 issue. We were a feature business under the "Outlook Triangle Business Profiles", with an article about the firm, our history and our approach to serving our clients and our employees. See the last page of this newsletter for your copy!

GOOD NEWS FOR SOME MEDICAL COSTS

Non-prescription drug costs may be reimbursed by health plans and FSAs

Many "over-the-counter" drugs are available and widely used to treat personal medical conditions. These include antacids, pain relievers, cold medicine and many more. While these expenditures *do not* qualify for a tax deduction, the IRS has ruled that they *are* eligible for reimbursement from an employer health plan or a flexible spending account (FSA). While the law effects reimbursements immediately, some plans will have to be amended to allow these payments. Dietary supplements that are beneficial to general health still do not qualify for such reimbursement.

Deduction Allowed for Corrective Surgery

Deductions are now allowed for the unreimbursed cost of corrective surgery, such as breast reconstruction surgery following cancer surgery and laser eye surgery to correct myopia. Cosmetic procedures, such as teeth whitening, will generally still not qualify for the deduction. As always, all qualifying medical expenses are deductible only to the extent they exceed 7.5% of your adjusted gross income.

Deduction Allowed for Nonprescription Medical Supplies

The IRS is also allowing a deduction for the cost of such medical supplies as crutches, bandages and diagnostic devices such as blood sugar kits for diabetics.

PENSION PLAN LIMITATIONS FOR 2004

The IRS has announced the cost of living adjustments that will affect pension plans for 2004. In addition, certain adjustments to pension plan limitations will take effect in 2004 by statute. Some of these new limitations are as follows:

	<u>2003</u>	<u>2004</u>
Contribution limitation for defined contribution plans	\$40,000	\$41,000
Annual compensation limit for most defined contribution plans	\$200,000	\$205,000
Limitation for 401(k) plans	\$12,000	\$13,000
Limitation for SIMPLE plans	\$8,000	\$9,000

IT'S A GREAT TIME TO BUY A VEHICLE

For both “luxury autos” and other vehicles placed in service in a business in 2003, the depreciation and expensing limits have been significantly liberalized. The following is a summary of the available deductions.

Business autos bought this year. For an auto (not a minivan, van or truck) purchased for the business this year, the maximum combined deduction for depreciation and expensing for 2003 is:

- \$10,710 if you bought it new after May 5, 2003
- \$7,660 if you bought it new before May 6, 2003
- \$3,060 if you bought it used or you choose not to take certain accelerated first-year deductions.

These limits apply to all passenger autos rated at 6,000 pounds unloaded gross vehicle weight or less.

Trucks and vans bought this year. Trucks and vans are passenger autos that are built on a truck chassis and include most minivans and SUVs. For trucks and vans purchased and placed in service this year, the maximum depreciation and expensing deduction for 2003 is:

- \$11,010 if you bought it new after May 5, 2003
- \$7,960 if you bought it new before May 6, 2003
- \$3,360 if you bought it used or you choose not to take certain accelerated first-year deductions.

These limits apply to all passenger autos rated at 6,000 pounds unloaded gross vehicle weight or less. Trucks and vans that are not likely to be used for personal driving because of their design are not subject to the “luxury auto” rules regardless of their weight.

Heavy SUVs bought this year. SUVs (which are trucks) are exempt from the above luxury auto rules if they are rated at more than 6,000 pounds gross (loaded) vehicle weight. Many luxury and near-luxury-class SUVs fall into this category; your auto dealer can provide this information. As a result, if you bought and placed in service a heavy SUV for your business in 2003, you may choose to expense the entire cost of the vehicle if it costs \$100,000 or less and you otherwise qualify for the “Section 179” expensing rules.

All of the above dollar limits apply to a vehicle that is used 100% for business purposes. The limits are reduced proportionally for any personal use. Also, certain expensing and accelerated first year deductions are available only if the vehicle is used more than 50% for business.

Leased business vehicles. The net deduction for lease payments is somewhat reduced if you lease a business auto, truck or van that is subject to the “luxury auto” rules. However, the reduction is less in 2003 than in prior years. There is no reduction at all if you lease a heavy SUV for your business.

Standard mileage rate. The IRS has announced that the standard mileage rate for 2004 will increase to 37.5¢ per mile. This is an increase from the 2003 rate of 36¢ per mile. This is the rate that should be used for mileage reimbursements for business. The rate used for medical and moving expenses will also increase to 14¢ per mile in 2004.

ELECTRONIC TAX ORGANIZER!

It's that time of year again! We will be mailing out individual tax organizers in January 2004. If you prefer to receive your tax organizer electronically, we would be glad to e-mail the organizer to you rather than mailing a paper version. To select this option, email Heather Dickson at heather.dickson@tjtpa.com prior to December 20, 2003. The organizer should be helpful in accumulating your 2003 tax information and will help us prepare your return more efficiently and accurately. Please fill out the organizer and return it to us as soon as you have received all of your 2003 tax information.

AFRs FOR DECEMBER 2003

The Applicable Federal Rates for December 2003 have been announced. Selected rates are as follows:

Term	Monthly	Compounding	
		Quarterly	Annual
Short-term (0-3 years)	1.66%	1.67%	1.68%
Mid-term (4-9 years)	3.49%	3.50%	3.55%
Long-term (over 9 years)	5.01%	5.03%	5.12%

ELECTRONIC FILING REMINDER

This is a reminder that we do offer electronic filing of your individual tax returns through our tax software provider. If your return shows a refund due, you can receive it substantially faster than if you were to file your return through the mail. In addition, the federal refund can be deposited electronically into your bank account. If you owe additional tax, you can file your return electronically and still put off making the payment until April 15. There are restrictions on some returns, but if you are interested in filing your return electronically please let us know when you bring in your tax information or indicate it on the tax organizer.

YEAR-END TAX PLANNING

Yes, it is already that time again. And there may be some things you can do now to lessen the tax bite for 2003. Please call our office for a review of your tax situation this year and ideas on action you can take before December 31.

KEEP COPIES OF YOUR RECORDS

While we may often make copies of your records for our files, keep in mind that it is your responsibility to keep the original records. Legal disputes or IRS communication may arise in the future where your original records would be indispensable in supporting a position or deduction taken.

2003 IRS & SSA TAX FORM CHANGES

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Personal Exemption	\$3,000	\$3,050	\$3,100
Child Tax Credit	\$600	\$1,000	\$1,000
Earnings ceiling for Social Security			
Below Age 65	\$11,280	\$11,520	\$11,640
Age 65 and above	Unlimited	Unlimited	Unlimited
Gift and Estate Tax Applicable Exclusion Amount	\$1,000,000	\$1,000,000	\$1,500,000
Section 179 Deduction	\$24,000	\$100,000	\$100,000
Self-Employed Health Insurance Deduction	70%	100%	100%
Retirement			
Max Deductible 401(k) and 403(b)			
Employee Contribution	\$11,000	\$12,000**	\$13,000***
Traditional and ROTH IRA Contributions	\$3,000*	\$3,000*	\$3,000*
Household wages are subject to FICA tax if wages are >	\$1,300	\$1,400	\$1,400
Mileage			
Business	\$.365/mile	\$.36/mile	\$.375/mile
Charitable	\$.14/mile	\$.14/mile	\$.14/mile
Medical / Moving	\$.13/mile	\$.12/mile	\$.14/mile
Payroll			
Social Security	6.2%	6.2%	6.2%
Maximum taxed	\$84,900	\$87,000	\$87,900
Medicare	1.45%	1.45%	1.45%
NC Taxable Wage base	\$15,500	\$15,900	\$16,200

* Over age 50, may contribute an additional \$500

** Over age 50, may contribute an additional \$2,000

*** Over age 50, may contribute an additional \$3,000

Please do not hesitate to get in touch with us if you have any questions about the above.

Very truly yours,

THOMAS, JUDY & TUCKER, P.A.

Outlook: Triangle Business Profiles

As Seen In... U.S. News & World Report

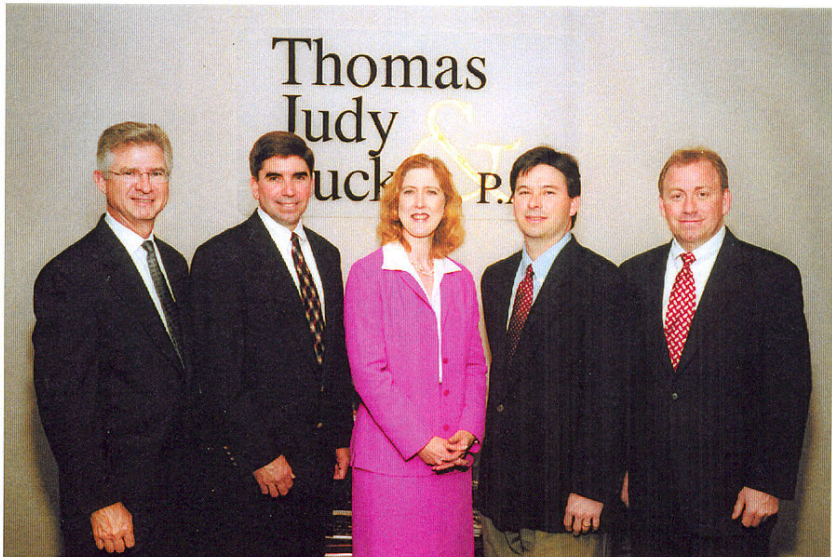
A Strong Client Partner and a Great Place to Work The Raleigh-Based Accounting Firm of Thomas Judy & Tucker, P.A.

When a number of longtime accounting professionals banded together in 1990 to form their own Raleigh-based firm, they were determined to raise the bar for service quality to a whole new level. That firm, Thomas Judy & Tucker, P.A., has since enjoyed remarkable success marked by a continually expanding service menu and diversifying client base ranging from a small local home-builder to multi-state companies with sales in excess of \$100 million. According to Managing Partner and co-founder Chris Judy, the firm's record of achievement can be attributed to two key distinctions.

Value-Added Service With a Long-Term Approach

"We remain proactive by developing a thorough understanding of our clients' businesses and industries. We like to challenge our clients to take the necessary steps to grow their business — not just stay the course, but plot a new course for a more successful future."

Thomas Judy & Tucker remains on the cutting edge, both professionally and technologically, to provide added value for its clients. To keep abreast of industry trends, accounting laws and technological innovation, each firm member is responsible for gathering information related to one particular area of knowledge. This collective effort keeps the entire team up to speed on business and regulatory matters, and advances like paperless audits and state-of-the-art communications tools have resulted in substantial leaps in service.



Thomas Judy & Tucker's Outstanding CPA Leadership Team

Clifton W. Thomas, CPA, senior partner, says his primary responsibility at the firm is to "look for ways to help people."

Chris P. Judy, CPA, managing partner, consults with clients to help them maximize their potential and take full advantage of their opportunities.

Kristen T. Hoyle, CPA oversees the firm's audit practice. Hoyle has extensive knowledge of accounting and management consulting.

David A. Johnson, CPA heads Thomas Judy Tucker's tax team and specializes in tax, business and financial planning.

David W. Tucker, CPA directs the firm's outsourced accounting division, which performs the day-to-day accounting and financial functions for companies in various industries.

The Fruits of an Enjoyable Workplace

"We recognize the importance of providing a team-oriented, supportive environment for our staff. Our flexible, family-like atmosphere attracts some of the best and brightest in the field and, at the same time, allows us to achieve even greater results."

Thanks to its uncommon commitment to its more than 40 employees, Thomas Judy & Tucker enjoys the rewards of low turnover and high productivity. The stresses of the firm's busiest season, tax time, are alleviated by flexible work schedules, permanent part-time staff members and wider work delegation. These and

other measures improve efficiency and further enhance client service, while giving the firm's staff members more time for family and community.

To find out about Thomas Judy Tucker's full range of accounting, consulting and outsourcing services, visit www.tjtpa.com or call 919-571-7055.

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