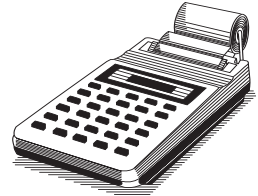


Thomas Judy & Tucker, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

The Accountant's Corner

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2010 Year-End Tax Strategies

Do not miss out on valuable tax-planning strategies at the end of the year. Although everyone's situation is different, here are some popular ideas for individuals, small-business owners, estates and trusts. Keep in mind, Congress is still in session and there is a possibility that law changes will be made before year end.

Individuals

Realize capital gains. The maximum tax rate of 15% on net long-term capital gain is scheduled to increase to 20% in 2011 (from 0% to 10% for certain low-income taxpayers). Thus, it may make sense to sell appreciated securities before the end of the year. If you have capital loss carryovers from a prior year, they can be used to shelter any capital gains realized this year. You may also want to consider electing out of installment sale method for 2010 sales in order to take advantage of the lower 2010 capital gain rates.

Harvest tax losses. Conversely, when the situation warrants, a taxpayer may realize losses from securities sales at year-end. The losses can offset capital gains plus up to \$3,000 of ordinary income in 2010. Any excess loss is carried forward.

Consider charitable giving. Year-end gifts made to qualified charitable organizations may be deducted in full if substantiation rules are met. **Note:** Donations by credit card are deductible in 2010 if the account is charged before 2011.

Adjust income tax withholding. Normally, an employee must pay a penalty if the requisite amount of income tax is not paid through with-

holding. But an "estimated tax penalty" may be avoided if payments equal 90% of 2010 liability or 100% of 2009 liability (110% if AGI was above \$150,000).

Downsize kiddie tax. Under the "kiddie tax," unearned income received by a child in 2010 is taxed at the parents' top tax rate to the extent it exceeds \$1,900. This tax generally applies to children under age 19 (age 24 for full-time students). Try to keep unearned income below or near the \$1,900 level.

Generate energy credits. A residential energy credit may be claimed for 30% of the cost of energy-saving installations. The list of qualified expenses ranges from skylights to furnaces to insulation. The maximum credit is \$1,500 for expenses incurred in 2009 and 2010. This has not been extended for future years.

Minimize the AMT. A taxpayer owes the alternative minimum tax (AMT) for 2010 if a special calculation exceeds regular income tax liability. The top AMT rate is 28%. When warranted, AMT liability may be reduced or eliminated by postponing certain "tax preference" items. Consider pushing expenses such as state and local taxes and miscellaneous itemized deductions into a non-AMT year.

Flex Spending Account Change. After 2010, FSA money can no longer be used to buy over-the-counter medicines or drugs (such as antacids, allergy medicines, pain relievers, and cold medicines) unless a doctor prescribes them. If you've been

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We Are One of the Triangle's Best Places to Work!

Thomas, Judy & Tucker P.A. was honored as one of the 2010 Best Places to Work by Triangle Business Journal magazine. Our firm received the award based upon an employee survey for companies with between 51 and 150 employees. The firm then shared some of its unique approaches to human resources with the readers of Triangle Business Journal as well as its plans to continue its place as one of the top places to work in the future. Audit staff member Melissa Warren elaborated on why our firm received this award in the Journal: "It is a blessing to go to a job where you love what you do. A large part of work in an accounting firm is done in teamwork; therefore, mutual respect, common values and camaraderie amongst the people you work with makes everyday fun and enjoyable."