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Guess who turned 12 this summer?



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Changes to 1099-B Statements

Beginning with the 2011 tax statements, brokerage firms will start reporting cost basis along with sales proceeds on the 1099-B forms. This will be a great time-saver when you have stock and mutual fund sales to report on your taxes.

However, it is important your brokerage have the correct cost basis information. If you transferred in shares of mutual funds or stocks from a previous brokerage account, your new brokerage may not have the basis of your holdings.

Why is basis important? You only pay taxes on the difference between the gross proceeds and cost basis (“capital gain” or “capital loss”), so it is to your benefit to make sure the cost basis is correct. ***Cost basis is the price at which you originally bought the investment shares and the date of purchase.***

Ask your broker to review your account for cost basis information. This does not apply to stocks or mutual funds held by IRAs, Roth IRAs, 401k's or any other tax-deferred account.

Often, stocks and mutual funds will pay dividends that may be reinvested in the purchase of new shares. They may also split, so you own more shares with no additional cost to you. Sometimes you can have a reverse split where the number of shares you own is reduced, meaning each share is worth more. Rather than calculate the cost basis of all the reinvestments and splits, the Average Cost method may be used to calculate the basis. Talk to your broker about the best method to use for your account holdings.

Aloha!

The office will be closed from Friday, 28 October through Sunday, 13 November 2011.

Employer-Provided Cell Phones

The IRS now considers ***employer-provided cell phones to be a tax-free fringe benefit, when the primary purpose of the phone is for business.*** The same is true when employers reimburse employees for business use of personal cell phones. The change in rules frees employees from keeping a log of business and personal calls for tax purposes. Employers may request some recordkeeping.

Self-employed persons are still cautioned to consider how much of their cell phone use is business-related before having the business pay for their cell phone. The business should never pay for phone use by non-employees.

Medical Deduction News

- Oregon allows for medical marijuana use, but the IRS will not allow a medical deduction for medical marijuana because it is an “illegal controlled substance”. Sellers of medical marijuana must claim the income but cannot claim any expenses for growing and selling.
- If your doctor prescribes a special diet for medical reasons, the expense might qualify for a medical deduction. You must calculate the difference between the cost of the special diet and the cost of what you normally would eat. The key is your doctor must write out a prescription for specific nutritional items.
- IRS reaffirmed that fees paid to “alternative medical practitioners” can be counted as medical expenses for itemized deductions. This includes payments to acupuncturists, chiropractors and Christian Science practitioners. Massage therapy can count if it has been prescribed to treat a specific medical condition.

1099-K to Debut in 2012

This new form will report payments to merchants accepting bankcards from customers. Third-party networks, such as Pay Pal, will also be required to give 1099-Ks to certain payees. Sales reported on 1099-K will be listed on a separate line on Schedule C and business returns. Taxpayers should take care they do not inadvertently double report revenue received.

Proof of Mail to IRS and ODR

Proof of timely-delivery is vital when sending tax forms, payments or important correspondence to the IRS and Oregon Department of Revenue. **Registered or Certified** mail are the only ways a taxpayer can prove the date of receipt. Federal Express and other private delivery services provide evidence, but are not yet accepted as proof by IRS.

Mileage Reminder

The IRS increased the 2011 mileage rates beginning July 1. If you claim a mileage deduction for business or medical appointments, you **must keep track of the miles driven from January 1 - June 30 and from July 1 - December 31.**

In Our Neighborhood...



The Abernethy Chapel is rising on the grounds next to the parking lot. Most of the work should be done by the first of the year. Our clients should notice additional parking spaces and new landscaping. The non-denominational space is expected to primarily host weddings.

Tax Lien Paid in Full

The IRS can file a lien if taxes owed exceeds \$10,000.00 and the taxpayer is not making efforts to pay the debt. When the liability has been paid in full, the taxpayer should request the lien be withdrawn by filing IRS Form 12277.