



CRISER | GOUGH | PARRISH

December 2007

Criser, Gough, & Parrish

The Advisor

“Working together for you.”

Happy Holidays

You are cordially
invited to celebrate
the holiday season
with cocktails and
hors d'oeuvres at our

OPEN HOUSE

December 13, 2007

4:00 until 7 p.m.

We hope you will stop
by and see us.

(Casual attire)

How Do You Want Your Tax Returns Delivered to You?

- Bound paper copy?

Or, to save a few trees, how about

- On CD-rom?
- Posted to a secure, password-protected portal on the internet?

Are You Ready?

We will be sending you an engagement letter this month which will help you understand our obligations to you and yours to us, including our expected fee for preparing your 2007 income tax return(s). Our policy is that we must have a signed engagement letter in order to do your 2007 taxes. Please, do your best to return these to us as soon as possible.

We are already getting ready to do 2007 income taxes. We will be continuing to improve our processes this year with an emphasis on improving turn around times and service. We want to be as helpful as possible in assisting your accumulation of your tax information. Please get in the habit of gathering all of the annual year-end statements and tax documents you receive in January for us to review. Just get in the routine of placing these items in a folder for your accountants. Let us determine what is useful and what is not. If you get it, bring it in.

As we enter the holiday season, all of us at Criser, Gough & Parrish wish each of you a wonderful time with your family and friends and a happy and productive new year.

Steve Criser, CPA

** Be sure to read the article on page 4 about the recent break-in at our east office.*

Don't Spend Your Refund Yet!

Tax refunds from the IRS may not be available in January or early February. Congress has yet to pass an Alternative Minimum Tax relief bill as they have promised. They will likely pass this bill in late December and if they do, the IRS has informed us that it will take them until late February to begin accepting tax returns. This is required to make necessary software changes required to process returns under the new law changes.

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2007 Year-End Tax Planning for Individuals

With the year drawing to a close, now is an ideal time to review your tax situation and evaluate strategies that may help minimize your tax bill.

Income Shifting

One of the most fundamental year-end tax planning techniques involves accelerating deductible expenses in 2007 and deferring income, if economically feasible, into 2008.

Shifting income, however, is not always a matter of simply delaying receipts of funds. Tax rules may require you to recognize certain types of income when you have earned the right to receive it.

Deduction Management

Essential end of the year tax planning requires determining whether you will take the standard deduction or whether you will itemize your deductions. Consider “bunching” deductible expenses into one or the other year depending upon whether the standard deduction may be taken in one year or whether the adjusted gross income limits for medical (7.5%) or miscellaneous deductions (2%) may be more easily met.

Portfolio Timing

Long-term capital losses can be used to fully offset long-term capital gains. Losses taken in excess of gains can also be used to offset up to \$3,000 in ordinary income (or \$1,500 for a married couple filing separately). Starting in 2008, traditional strategies in connection with capital gains and losses also need to accommodate a special, nontraditional opportunity — the zero percent net capital gain rate for tax years 2008 through 2010. This zero rate is only available for individuals in the 10 or 15 percent income tax brackets.

Retirement Planning

While contributions to IRAs may be applied retroactively if made before the filing deadline, contributions to qualified plans must be made before the end of the calendar year.

Maximizing contributions to your retirement plan(s) before year end also allows you to reduce your adjusted gross income in direct proportion to those contributions. This in turn can give you the benefit of increasing the deductibility of medical and other deductions subject to adjusted gross income floors.

Gift-giving

Take advantage of the 2007 annual and lifetime gift-giving limits to reduce your income and estate tax liabilities. For 2007 and then again in 2008, you can transfer \$12,000 per person, per year, without paying gift tax on the amounts transferred. Married couples can gift \$24,000 per person, per year, without tax liability on the amounts transferred.

NEW-FOR-2007 OPPORTUNITIES (AND DRAW-BACKS)

Kiddie Tax

For 2007, a child under the age of 18 is subject to the “kiddie tax” (and thus pays tax at his or her parents’ highest marginal tax rate on unearned income in excess of \$1,700). But in 2008, the applicable age rises and the kiddie tax will apply to a child under the age of 19 and full-time students under age 24. Parents should consider selling appreciated stock and other assets belonging to their children now, especially if they will be in the 19 to 24 year-old category next year.

Expiring Provisions

A variety of popular tax credits are set to sunset at the end of 2007, unless Congress extends them.

- **State and local sales tax deduction.** If you have been contemplating the purchase of a big-ticket item, such as a car or boat, you should consider making it sooner rather than later because the deduction state and local general sales taxes expires at the end of 2007. However, you first need to compute what any potential state and local income tax deductions will amount to and then compare it to your potential sales tax deduction.

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- **Mortgage insurance premiums.** Premiums paid or accrued in 2007 for qualified mortgage insurance are deductible as a qualified residence interest. The insurance must be carried on acquisition indebtedness for a qualified residence. A “qualified residence” is the principal residence and one other residence that is not treated as business property.
- **Tuition and fees deduction.** Taxpayers may deduct qualifying tuition and fees paid in 2007 that are required for the student’s enrollment or attendance at a post-secondary school.
- **Classroom deduction.** Full-time teachers, instructors, counselors and other educators can deduct up to \$250 worth of books, supplies, software, and other qualifying materials that they provide out of pocket expenses.
- **Qualified conservation contributions.** Also set to expire in 2008 is the enhanced deduction for contributions of real property interests dedicated exclusively for conservation purposes. Easements in facades may also qualify.

Give our office a call.

With the complexity of the tax law, understanding what tax planning provisions to incorporate into your year-end tax planning strategy can be a daunting task. There are many more techniques that can be used depending upon a client’s individual circumstances. For a more detailed plan that can be customized to your particular circumstances, please don’t hesitate to give our office a call. (Source: CCH)

Pursuant to federal regulations imposed on practitioners who render tax advice (“Circular 230”), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

Medicare Part B Premiums: New Rules for Beneficiaries with Higher Incomes

The Medicare Modernization Act of 2003 changed how Medicare Part B premiums are calculated for some higher income beneficiaries. The majority of Medicare beneficiaries are **not** affected. Part B (medical insurance) helps pay for doctors’ services and outpatient care. For most beneficiaries, the government pays a substantial portion—75 percent—of the Part B standard premium and the beneficiary pays the remaining 25 percent.

Beginning in 2007, the government portion was reduced for higher income beneficiaries who began paying a larger percentage of the premium based on income they reported to the Internal Revenue Service (IRS). In 2008 the higher income beneficiaries will be responsible for 67 percent of their income-related adjustment. By 2009, the end of the transition period, these higher income beneficiaries will pay a monthly premium equal to 35, 50, 65, or 80 percent of the total Part B cost, depending on their income level.

However, the law is expected to affect only about 4 to 5 percent of Medicare beneficiaries, **so most people will continue to pay the standard premium**, without an income-related adjustment.

To determine if you will pay a higher Part B premium, the IRS will send the Social Security Administration (SSA) information from your most recent tax return. The SSA will use a sliding scale to make adjustments to premiums. (If you amend your return and/or your income has gone down and the change will make difference in the income level the SSA counts, contact the SSA.) If the SSA determines you will need to pay a larger percent of the premium, they will send you a letter explaining how they made this determination and what your new premium will be. However, it is important to remember that **if your income does not exceed the limits, this law does not apply to you.**

(Source: www.socialsecurity.gov)

Recent Break-In

Recently, we had a break-in at our east location. Only a few computer items and valuables were stolen and we were fortunate none of our staff was harmed by the thieves. It was a scary and unsettling event and it has brought about the installation of a security system and dead bolts all around.

Unfortunately, one of the items stolen was a large computer storage device that contained a backup of our server data, including confidential client data. As a precaution against this sort of thing, we had installed numerous password and software controls to make it difficult to access confidential information, but no amount of computer security is completely safe from being accessed by determined criminals. From the items the thieves had taken, they were clearly interested in things of value that they could easily sell and not data. We

believe that the risk of the data being compromised is small but not zero.

Our first concern and obligation is to you. As should be evident from our past newsletter articles, we are invested in the fight against identity theft. Please look carefully at your bank and credit card statements for unusual activity and, if any is found, report it immediately to the bank or card issuer. In these times especially, care and diligence must be observed. There are, unfortunately, a lot of bad people in this world that have no respect for the rights and property of others. As we can attest, anything can happen.

We sincerely apologize for the inconvenience and concern this may cause you.

Steve Criser, CPA

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Return Service Requested

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