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Current and Past Issues of Tax News are available at
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*****Office meetings are by appointment only*****

Contents

- Business Tax Issues – Page 1
- Personal Tax Issues – Page 5
- Tax Rates, Std Deductions – Page 7

Near-Term Calendar

- January 31st – Due date for 4th Quarter Payroll Tax Returns, W-2's and 1099's. [Accounting information must be received by January 10th]
- February 15th – Due Date for business license renewals and business personal property tax returns in some Counties.
- March 15th – Due date for Corporation and S-Corporation Income Tax Returns, or extensions.
- April 1st – Due date for Annual Registration in Georgia for Corporation's and LLC's with the Secretary of State (dates vary per State).
- April 17th – Due date for Individual and Partnership Income Tax Returns, or extensions.
- April 30th – Due date for 2nd Quarter Payroll Tax Returns. [Accounting information must be received by April 15th]
- May 15th – Due date for calendar-year Non-Profit Income Tax Returns, or extensions.



Business Trips and Conventions

Mixing business with pleasure

It's not uncommon for business meetings and conventions to be located in vacation destinations such as Las Vegas, Orlando or Honolulu. If the trip is 100 percent business, there's little question as to whether or not the cost of the trip is deductible. However, when it comes to a mix of work and play, it becomes harder to determine what is and is not deductible. It is very important to keep accurate records to substantiate what are business expenses and what are personal expenses during your trip.

If your trip was primarily for business purposes and you only spent some personal time while away, you should be able to fully deduct transportation expenses. Hotel costs are only deductible for the business days; the same is true for meal expenses, with a 50 percent limitation. Hotel and meal costs are not deductible on personal days. However, if your convention or meeting takes place on Thursday, Friday and Monday, the weekend days are deductible, even if you spend the time enjoying personal activities.

There are additional caveats when it comes to annual shareholder meetings, traveling on a cruise or to a resort, as well as traveling abroad. Please consult with us to learn more.

Do You Outsource Your Payroll?

Be careful of scams

Many businesses find it cost effective to outsource their payroll functions to a third-party payroll company. It is important to ensure that the company you are partnering with is reputable, because ultimately it's your responsibility to pay federal tax liabilities. If the third-party fails to make your federal tax deposits, the IRS may assess penalties and interest that you, the employer, will be responsible for paying.

When working with a third-party, choose a payroll service that uses the Electronic Federal Tax Payment System (EFTPS). This way, you can log onto the system and verify that the tax deposits were made on time. Also, be sure to list your address on the account, so that the IRS will send all correspondence directly to you, keeping you informed.

We provide full service payroll for eligible accounting clients with electronic filing and payment of payroll taxes.

Auto Expenses

Do you use your car for business purposes?

If you use an automobile for business, you may be able to receive a tax deduction to lower your income tax. Unless your car is used 100 percent for business, some of your expenses aren't deductible. The IRS is quick to

question a vehicle used 100 percent for business. Do you, for example, keep the car at the company headquarters over night?

Deducting auto expenses requires diligent record-keeping. There are two ways to calculate your auto deductions - the standard mileage rate or actual expenses. These methods are available whether you own or lease your vehicle. Taxpayers who wish to use the standard mileage rate in lieu of actual expenses for computing deductible vehicle expenses must elect to do so in the first year. Switching to the standard mileage rate in a later year is not an option.

The actual expense method is exactly as it sounds. Actual expenses, such as the cost of gas, oil, insurance, repairs, maintenance, tires, washing, licenses and depreciation or lease payments, are eligible. For the standard mileage rate method, instead of tracking the above expenses, you track the business mileage you accrue and use a standard rate. For January 1 through June 30, 2011, the standard rate is 51 cents per mile; for July 1 through December 31, 2011, the rate is 55.5 cents per mile.

You'll need to keep accurate records of the miles incurred for business purposes, dates of business use, destinations and the business purpose. Also, you'll need to note the odometer readings at the beginning and end of the year to determine the total miles for the year for all uses. The important aspect is to make sure you maintain accurate records. The IRS may disallow a deduction for mileage if you are unable to substantiate your deduction.

It's important to note that you cannot deduct commuting mileage (mileage from your home to your regular job). It is necessary to determine your tax home. If you are self-employed and maintain an eligible office in your home, you can deduct the mileage to and from your client's or customer's place of business, as well as between jobs. As an employee, you can deduct mileage between jobs or to a temporary assignment. If you do not have a regular place of business, you can only deduct your transportation expenses to a temporary location outside your general area of employment.

Standard Mileage Rate

The 2011 standard mileage rates in Rev. Proc. 2010-51 were revised on June 23, 2011. As a result, you will need to track your mileage separately for the first and last 6 months of 2011. The rate was increased to 55.5 cents per mile for all business miles driven from July 1, 2011, through Dec. 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011, as set forth in Revenue Procedure 2010-51. The new six-month rate for computing deductible medical or moving expenses will also increase by 4.5 cents to 23.5 cents a mile, up from 19

cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

Standard Mileage Rates			
	2010	Jan - Jun 2011	Jul - Dec 2011
Business	50.0 cents per mile	51.0 cents per mile	55.5 cents per mile
Charitable	14.0 cents per mile	14.0 cents per mile	14.0 cents per mile
Medical and Moving	16.5 cents per mile	19.0 cents per mile	23.5 cents per mile

Quick Tax Tips for Small Businesses

1. The maximum amount of wages subject to social security tax is \$106,800 in 2011. There is no limit on wages subject to Medicare tax.
2. Up to \$230 per month in employer-provided transit and carpooling benefits can be provided as a tax-free fringe benefit to employees in 2011. Also, \$230 per month for qualified parking can be provided by the employer as a tax-free fringe benefit to employees in 2011.
3. Maximum employee elective deferrals to 401(k) or 403(b) plans are \$16,500 for 2011.
4. The maximum amount your business can contribute to your employees' health savings accounts (HSAs) in 2011 is \$3,050 for employees with self-only coverage and \$6,150 for employees with family coverage.
5. Each person engaged in a trade or business who, in the course of that trade or business, receives more than \$10,000 in cash in one transaction or in two or more related transactions, must file Form 8300.
6. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 has temporarily reduced the rate of social security tax withholding (for employees only) from 6.2% to 4.2% for wage payments made in 2011. The rate of social security tax withholding (for employees only) will tentatively be restored to 6.2% for wage payments made in 2012.
7. Congress has repealed the Form 1099 reporting requirements that were supposed to take effect in 2011 and reinstated the old reporting requirements. Business owners are required to issue Form 1099-MISC for payments of \$600 or more for rents, services, prizes and awards or other income payments, excluding payments to corporations.

Day Care Providers Allowed a Per Diem New rates for 2011

Taxpayers who provide day care services in their home may find it difficult to track the cost of meals they provide to the children. Therefore, the IRS allows day care providers to deduct a standard meal allowance, per child, in lieu of actual expenses. Following are the standard rates for 2011:

Meals	Contiguous States	Alaska	Hawaii
Breakfast	\$1.19	\$1.89	\$1.38
Lunch and Dinner	\$2.22	\$3.60	\$2.60
Snack	\$0.66	\$1.07	\$0.77

Small Business Health Care Tax Credit Do you qualify?

The small business health care tax credit was included in the Affordable Care Act enacted last year and is designed to encourage small businesses to offer health insurance coverage to their employees for the first time or maintain coverage they already provide.

Small businesses that pay at least 50 percent of the premiums for employee health insurance coverage under a qualifying arrangement may be eligible for this tax credit. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ 25 or fewer fulltime equivalent employees with average incomes of \$50,000 or less. For 2010 through 2013, the credit may offset up to 35 percent of premiums paid by eligible small business employers and 25 percent of premiums paid by eligible employers that are tax-exempt organizations.

Comment: Most will not qualify due to the fine print, so be sure to consult with us before implementing a plan.

IRS Discontinues Mailing of Certain Packages

Technology eliminates the need for paper copies

With the advent of e-filing, the IRS will no longer send business taxpayers certain tax packages through snail mail. The IRS made this decision due to the continued growth of e-filing as well as to help reduce costs. Some forms that will no longer be mailed include:

- Form 940, *Employer's Annual Federal Unemployment Tax Return*
- Form 941, *Employer's Quarterly Federal Tax Return*

- Form 944, *Employer's Annual Federal Tax Return*
- Form 2290, *Heavy Highway Vehicle Use Tax Return*
- Form 5500, *Annual Report/Report of Employee Benefit Plan*

Self-Employed Health Insurance Are you eligible for a deduction?

Generally, sole-proprietors may not deduct the cost of health insurance when calculating self-employment tax. However, under the Small Business Jobs Act, self-employed business owners may be able to deduct the cost of health insurance for themselves and their family.

The deduction is not available if the self-employed individual is eligible to participate in an employer-subsidized health plan maintained by the employer of the taxpayer or the employer of the taxpayer's spouse.

Those who can claim the self-employed health insurance deduction include:

- Small businesses and sole-proprietors reporting income on Schedule C;
- Farmers reporting income on Schedule F;
- General partners in a partnership and actively participating members in an LLC treated as a partnership who have self-employed income; and
- Employees of an S Corporation who own 2 percent or more of the S corporation's stock.

Beware of Email Scams

The IRS does not solicit tax payments through email

Emails said to be from IRS agencies are not new, however this year they seem to be more abundant. One of the newer scams sent to business owners are allegedly from the Electronic Federal Tax Payment System (EFTPS). The email is supposedly a notification letting you know that your tax payment has been rejected and needs to be re-submitted. Please be aware that the IRS does not solicit tax payments via email.

When you click the links in the scam emails, malware/viruses are loaded onto your computer. The malware sends information stored on your computer back to the scammer, putting you at risk.

What do you need to know to keep safe? The IRS will never request financial information, passwords, PINs or any other sensitive information from you via email. The IRS sends paper notices to taxpayers to discuss tax account information. Never provide your bank information to someone via email or click links that are suspicious!

If you ever receive one of these scam emails, do not reply. Do not open any attachments since they might contain malicious code that could infect your computer. Also, do not click any links provided in the email. These websites could also give your computer a virus or malware. Instead, forward the email to phishing@irs.gov.

S-Corporation Late Filing Penalties

The late filing penalty assessed on S-Corporation returns is \$195 per month, times the number of shareholders, times the number of months – or part of a month – that the return is late (up to 12 months maximum). It was previously \$85 per month, per shareholder in 2007, and later increased to \$89 per month on 2008 and 2009 returns.

S-Corporation returns are due on March 15th of each year, although a six-month extension, timely filed by March 15th, will extend the due date until September 15th.

Section 179 Depreciation – 2011/12

For tax year 2011, businesses can immediately expense up to \$500,000 in qualified code section 179 property placed in service during the tax year. This amount is phased out dollar for dollar by the amount that qualifying purchases exceed \$2,000,000.

The 2011 amount of \$500,000 far exceeds the maximum deductible expense for code section 179 property proposed for tax year 2012, which as of this time is limited to \$125,000 (phased out when qualifying purchases exceed \$500,000).

For 2011 the definition of property qualifying for section 179 expensing also includes qualified leasehold improvement property, qualified restaurant property and qualified retail improvements. This expansion to include leasehold improvements will not be available in 2012.

Note: Section 179 expensing of property and improvements cannot be used to create a net operating loss, but unused amounts may be carried forward.

Bonus Depreciation – 2011/12

For tax year 2011, IRC Section 168 is a provision allowing 100% bonus depreciation of qualified assets, including qualifying leasehold improvements. In order to

be eligible for 100% bonus depreciation assets must be placed in service after September 8, 2010 and before January 1, 2012.

One of the main differences between Section 168 and Section 179 expensing is that in order to qualify for Section 168 bonus depreciation, the assets purchased must be *new*. Another difference is that there is no phase-out associated with Section 168 bonus depreciation. Conceivably, unlimited amounts of qualifying purchases are eligible for 100% bonus depreciation in 2011. But be aware that bonus depreciation will revert back to 50% for tax year 2012. The key advantage of Section 168 bonus depreciation is that it may be used to create a net operating loss which could potentially be carried back, while Section 179 may only be carried forward.

Luxury Vehicles – Code Sections 168 and 179 do not apply to "luxury passenger automobiles", even if the auto is used exclusively for business. However, code section 280F provides bonus depreciation for passenger automobiles placed in service in 2011 in the maximum amount of \$8,000. This is in addition to the standard depreciation allowed for passenger automobiles of \$3,060 in the first year of service for a potential total write-off of \$11,060 in the first year. The only drawback is that for the remainder, depreciation is not allowed to resume until the 7th year. In other words, you will be giving up the next six year's depreciation expense in order to take the extra \$8,000 write-off in 2011.

There is a special exception for heavy **SUVs**. An SUV weighing over 6,000 pounds is eligible for a first year write-off of up to \$25,000 under Section 179, and if used 100% for business, the remaining cost may be written off via the 100% bonus depreciation in 2011. Thus, you could potentially write-off the entire price of a heavy SUV in 2011, even if it's financed for 5 to 7 years.

2011 Corporate Tax Rate Schedule			
If Taxable Income Is		The Tax Is:	
Not over \$50,000		15% of the taxable income	
Over \$50,000	but not over \$75,000	\$7,500 plus	25% of the amount over \$50,000
Over \$75,000	but not over \$100,000	\$13,750 plus	34% of the amount over \$75,000
Over \$100,000	but not over \$335,000	\$22,250 plus	39% of the amount over \$100,000
Over \$335,000	but not over \$10,000,000	\$113,900 plus	34% of the amount over \$335,000
Over \$10,000,000	but not over \$15,000,000	\$3,400,000 plus	35% of the amount over \$10,000,000
Over \$15,000,000	but not over \$18,333,333	\$5,150,000 plus	38% of the amount over \$15,000,000
Over \$18,333,333		35% of the taxable income	
Qualified personal service corporations are taxed at a flat rate of 35% of taxable income			

Personal Tax Issues

Reporting Casualty Losses

Were you hit by bad weather?

From tornados to earthquakes to hurricanes, it was one busy summer for Mother Nature. Unfortunately, this means that a lot of taxpayers experienced destruction. If you're one of them, the loss of business or personal property may provide a deduction on your individual income tax return, but first you need to determine if the loss qualifies for a deduction.

A casualty is defined as the damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual. Events that could produce a casualty loss include floods, fires, earthquakes, tornados or terrorist attacks. Events that aren't unusual, such as a pet knocking over an antique vase, would not qualify as a casualty loss.

If you have experienced a casualty loss, you'll need to figure out what the lost property was worth; this is the fair market value. You also need to know the change in value of the property before the event compared to after the event. If the decline in value is less than your cost, then the smaller amount is used to determine the loss.

This amount is decreased by any insurance or other reimbursement you receive on the property. Sometimes reimbursements can actually lead to income from the casualty instead of a loss, in which case different rules may apply limiting the reporting of that income to the IRS.

The loss after insurance reimbursement is reduced by \$100 and reported on Schedule A, Itemized Deductions. The aggregate total of all casualty losses will be reduced by 10 percent of your adjusted gross income.

Tax Deductions for Teachers

Did you buy supplies for your classroom?

As a small token of appreciation, teachers are allowed to deduct up to \$250 on their tax return for money they spent on classroom supplies. The deduction is an "above-the-line" deduction, which means that it's an adjustment to income; filing a Schedule A, Itemized Deductions, isn't necessary to receive the benefit.

Instructors, counselors, principals and aides employed by state-approved K-12 public and private school systems are also eligible to claim this deduction. Deductible items include unreimbursed books, supplies, computer equipment and other materials used in the classroom. The items you purchase for your classroom must be considered ordinary and necessary in order to

deduct the costs. But if you receive a reimbursement for the items you purchase, you may not deduct the cost on your tax return.

Child Tax Credit

Your tax preparer can determine if you qualify

The Child Tax Credit has been extended through 2012. The maximum credit is \$1,000 for each qualifying child. All or a portion of this credit may be refundable. A qualifying child must satisfy six tests:

Relationship: This is your child or step-child (whether by blood or adoption), foster child, sibling or step-sibling, or a descendant of one of these (for example: grandchild, niece or nephew).

Residence: The child must have the same principal residence as you for more than half the tax year. In certain cases, exceptions apply for children of divorced or separated parents, kidnapped children, temporary absences and for children who were born or died during the year.

Age: The child is under the age of 17 at the end of 2011.

Support: The child must not have provided more than one-half of his/her own support for the year.

Dependent: The child must be claimed as a dependent on your tax return.

Citizen: The child is a U.S. citizen, resident or U.S. national.

For further information on determining whether or not you can claim the Child Tax Credit, please speak with us.

Have You Adopted a Child?

You may qualify for a special tax credit

If you adopted or attempted to adopt a child in 2010 or 2011, you may qualify for the adoption tax credit. The credit was created to help those who may not have been able to complete the adoption due to the expense associated with the process. For 2010, the credit offsets the qualified adoption expenses, up to \$13,170.

You may be able to claim the credit even if the adoption does not become final. Also, if you adopt a special needs child and the adoption becomes final, you may qualify for the full amount of the adoption credit even if you paid few or no adoption-related expenses.

Qualified adoption expenses are reasonable and necessary expenses directly related to the legal adoption

of a child who is under 18 years old, or physically or mentally incapable of caring for him- or herself. These expenses may include adoption fees, court costs, attorney fees and travel expenses.

To claim the credit, you will need to set up an appointment with us and bring any necessary documents, which may include a final adoption decree, placement agreement from an authorized agency, court documents and the state's determination for special needs children.

Quick Tax Tips for Individuals

1. Long-term Capital Gains are taxed at 0 percent and 15 percent for 2008 through 2012.
2. Qualified dividends are taxed at 0 percent and 15 percent for 2008 through 2012.
3. Beginning after 2010, the Advanced Earned Income Credit is no longer available.
4. The 2011 annual deductible health savings account (HSA) contribution is \$3,050 for individuals and \$6,150 for families. For a high-deductible health plan (HDHP), the minimum deductible is \$1,200 for individuals and \$2,400 for families. The HDHP maximum out-of-pocket expense is \$5,900 for individuals and \$11,900 for families.
5. The 2012 annual deductible HSA contribution is \$3,100 for individuals and \$6,250 for families. For an HDHP the minimum deductible is \$1,200 for individuals and \$2,400 for families. The HDHP maximum out-of-pocket expense is \$6,050 for individuals and \$12,100 for families.
6. Maximum 401(k) or 403(b) contributions remain unchanged at \$16,500 in 2011.
7. IRA Contribution Limits also remain unchanged in 2011 at: \$5,000 (\$6,000 if age 50 or older).

Education Expenses

Do you qualify for a tax credit?

Education credits are available for qualifying education expenses beyond high school for taxpayers, their spouses and their dependents. The American Opportunity Tax Credit is available to those who have not completed the first four years of education beyond high school as of the start of the tax year. For 2011, the maximum American Opportunity Credit is 100 percent of the first \$2,000 of qualified higher-education tuition and

related expenses, plus 25 percent of the next \$2,000 of such expenses paid during the tax year. The maximum credit allowed is \$2,500. Up to 40 percent of this credit may be refundable, computed after AGI phase-out limitation and subject to the Kiddie Tax provisions.

The Lifetime Learning Credit is available for one or more post high-school courses taken by the student during the year, including graduate courses and courses taken to improve or acquire job skills. For 2011, the maximum Lifetime Learning Credit available is \$2,000.

2011 AGI Phase-Out	American Opportunity Tax Credit	Lifetime Learning Credit
MFJ, QW	\$160,000 – \$180,000	\$102,000 – \$120,000
S, HH	\$80,000 – \$90,000	\$51,000 – \$60,000
MFS	Not Available	Not Available

Are You Planning to Sell Your Home?

Know the tax consequences

If you are planning to sell your home, there are a couple of things you need to do in addition to packing and cleaning. For tax purposes you'll need to determine whether or not the home you are selling is your main residence. Your main home is usually the one that you live in most of the time.

You should determine whether or not you have a gain on the sale of your home. To determine this, you will need to figure out your adjusted basis. Your adjusted basis is the original purchase price of the residence, purchase expenses, improvements, additions, assessments and more. Please consult with us for help in determining the items that may affect your home's adjusted basis. Take the final selling price and reduce it by your adjusted basis to calculate your gain or loss from the sale.

If you have a gain from the sale of your main home, you may qualify for an exclusion of income for all or part of the gain. In general, if you have owned and used your home as your main residence for two out of the last five years, you are eligible to exclude \$250,000 of gain from income (\$500,000 for married taxpayers filing jointly). You are not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home.

If you received the first-time homebuyer credit and within 36 months of the date of purchase you no longer use the property as your principal residence, you may be required to repay the credit. Repayment of the credit is due with the income tax return for the year the home ceased to be your principal residence. The repayment amount is determined by the gain associated with the sale; if there is a loss the credit may not be required.

Please consult with us to determine if a repayment is required.

Example for married taxpayers filing jointly selling home:

Sales Price	\$2,000,000
Adjusted Basis*	(\$1,000,000)
Exclusion	(\$500,000)
Taxable Gain	\$500,000
*(Original cost \$750,000 plus \$250,000 of improvements)	

Qualified Dividends Taxed as Net Capital Gain			
	2005 - 2007	2008 - 2012	2013
Rate for Non-corporate Taxpayers above 15% income tax bracket	15%	15%	*
	2005 - 2007	2008 - 2012	2013
Rate for Non-corporate Taxpayers in 10% or 15% bracket	5%	0%	*
* After 2013, dividends will be taxed as ordinary income.			

2011 Estate and Trust Tax Rate Schedule			
If Taxable Income Is:		The Tax Is:	
Not over \$2,300		15% of the taxable income	
Over \$2,300	but not over \$5,450	\$345.00 plus	25% of the excess over \$2,300
Over \$5,450	but not over \$8,300	\$1,132.50 plus	28% of the excess over \$5,450
Over \$8,300	but not over \$11,350	\$1,930.50 plus	33% of the excess over \$8,300
Over \$11,350		\$2,937.00 plus	35% of the excess over \$11,350

Tax Rates and Standard Deductions

2011 Individual Income Tax Rates				
Tax rate	Single filers	Married filing jointly or qualifying widow/widower	Married filing separately	Head of household
10%	Up to \$8,500	Up to \$17,000	Up to \$8,500	Up to \$12,150
15%	\$8,501 - \$34,500	\$17,001 - \$69,000	\$8,501 - \$34,500	\$12,151 - \$46,250
25%	\$34,501 - \$83,600	\$69,001 - \$139,350	\$34,501 - \$69,675	\$46,251 - \$119,400
28%	\$83,601 - \$174,400	\$139,351 - \$212,300	\$69,676 - \$106,150	\$119,401 - \$193,350
33%	\$174,401 - \$379,150	\$212,301 - \$379,150	\$106,151 - \$189,575	\$193,351 - \$379,150
35%	\$379,151 or more	\$379,151 or more	\$189,576 or more	\$379,151 or more

Personal Exemptions		
	2010	2011
Personal Exemption Amount	\$3,650	\$3,700

Standard Deduction Tables		
	2010	2011
Married Filing Jointly and Surviving Spouses	\$11,400	\$11,600
Heads of Households	\$8,400	\$8,500
Single	\$5,700	\$5,800
Married Filing Separate	\$5,700	\$5,800
Additional Amount for Aged and Blind, Married and Surviving Spouses	\$1,100 for each	\$1,150 for each
Additional Amount for Aged and Blind, Singles and Heads of Household	\$1,400 for each	\$1,450 for each

Capital Gains		
	2005 - 2007	2008 - 12
Rate for Non-corporate Taxpayers above 15% income tax bracket	15%	15%
	2005 - 2007	2008 - 12
Rate for Non-corporate Taxpayers in 10% or 15% bracket	5%	0%

Applicable Exclusion Amount for Estate Tax	
Year of Transfer	Applicable Exclusion Amount
2006/2007/2008	\$2,000,000
2009	\$3,500,000
2010	Repealed
2011-2012	\$5,000,000

Lifetime Exclusion Amount for Gift Tax	
Year of Transfer	Applicable Exclusion Amount
2002-2010	\$1,000,000
2011-2012	\$5,000,000

Gift Tax Annual Exclusion	
Year of Transfer	Applicable Exclusion Amount
2002-2005	\$11,000
2006-2008	\$12,000
2009-2011	\$13,000
Note: A significant higher applicable exclusion amount	

Happy Holidays & Thanks for your patronage,

Larry

