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STOP reading this right now, if you haven't mailed your election ballot. Call the American voting process your patriotic duty, a necessary evil, or That Which Makes Democracy Work, but get that paper ballot delivered. It's your chance to have a say about who makes rules like the ones discussed below:

FEDERAL TAX LEGISLATIVE UPDATE

Not one, but two pieces of tax legislation have made their way through Congress since the last Green Sheet. They are largely favorable to most taxpayers. Both contain far too many individual provisions to do anything but briefly summarize here:

◆ **Working Families Tax Relief Act of 2004.** The child tax credit stays at \$1,000 per qualifying child. . . standard deduction and tax bracket amounts have been adjusted to eliminate the "marriage penalty". . . a uniform definition of child has been codified for purposes of several different tax provisions. . . the special \$250 deduction for teachers was extended.

◆ **American Jobs Creation Act of 2004.** There's a new deduction for all domestic manufacturing activity-3% in 2005 and 2006. . . the increase to \$100,000 (indexed for inflation) for immediate expensing of business assets is extended. . . qualified leasehold improvements and restaurant property qualify for accelerated depreciation deductions. . . for 2004 taxpayers may deduct sales taxes instead of state income taxes. . . up to \$5,000 of business start-up expenditures may be currently deducted.

◆ **On the Other Hand.** At least two significant tax breaks appear to be headed for expiration. . . bonus depreciation, meant to stimulate business in the wake of 9/11, ends 12/31/04. . . the cost of SUVs that can be immediately expensed has been reduced from \$100,000 to \$25,000, effective 10/22/04.

TOP TEN END-OF-THE-YEAR TAX TIPS

Looking to take some sting out of your April 15 tax bill? Consider one or more of the following ideas to reduce the amount you owe. Be sure to call us if you have specific questions.

◆ **Get Political.** Give up to \$100 to candidates, parties or committees and reduce your Oregon tax bill by the same amount.

◆ **Check the Portfolio.** Offset up to \$3,000 of ordinary income by selling investments that have lost value.

◆ **Say Hello to Goodwill.** Drop off a bag of goodies before New Year's Day and take the deduction.

◆ **Save it for Later.** Contributions to retirement plans or IRAs can often reduce your taxes, sometimes significantly.

◆ **Save it for the Kids.** A contribution of up to \$2,000 to the Oregon 529 College Savings plan saves up to \$180 of state tax.

◆ **Buy that Big Ticket Item Now.** With favorable depreciation rules lapsing at 12/31, there may never be a better time.

◆ **Prepay Your Oregon Tax.** Accelerating your 1/15 or 4/15 payment into 2004 gets the federal tax deduction a year earlier.

◆ **Check Your FSA Balance.** Spend any remaining funds in your cafeteria plan by 12/31 to avoid forfeiture.

◆ **Donate the Family Clunker.** Rules for valuing donated vehicles will change on 12/31. And not in a good way.

◆ **Avoid More Bad News.** Avoid a potential penalty for underpaying taxes by increasing withholding on year-end paychecks.

THE TWILIGHT ZONE TAX

It operates in a parallel universe, stalking silently alongside the traditional income tax but operating by its own set of rules. It's called the alternative minimum tax and it could be coming soon—to your tax return. Here's what you need to know:

◆ **AMT Basics.** The idea behind AMT was to create a separate tax that would insure that high-income taxpayers paid at least some income taxes. . .AMT is calculated by reducing or eliminating some deductions allowable for traditional taxes. . .lower income taxpayers then deduct an AMT exemption amount and multiply the resulting sum by AMT tax rates - 26 to 28%. . .if AMT exceeds traditional tax, the larger tax is due.

◆ **Common Trigger Points.** State income and property taxes are deductible for traditional tax but not AMT. . .some home mortgage interest is not deductible for AMT. . .certain depreciation methods allowed for traditional tax can't be used for AMT. . .miscellaneous itemized deductions are tossed out when determining AMT

◆ **Who Gets Hit?** More and more taxpayers face AMT: fewer than 20,000 in 1970, more than 2.5 million now, according to SmartMoney.com. . .barring law change the trend will continue because many traditional deductions have automatic annual increases not applicable for AMT. . .thank goodness for computers which properly calculate AMT—**IF** the input is correct.

CLIENT CORNER - Cravings, Inc.

Rd.

Dirk and Colleen Brainerd opened Cravings in 1993. By then, they had over 30 years combined experience in the catering and food service industry. Earlier this year the Brainerds began operating the Country Inn Events Center which comprises two event sites, ponds (complete with swans), and gardens on 10 acres off Coburg Road. They continue to offer off-site catering as well. Cravings currently has 16 full-time employees and about 20 part-time employees. "We've always tried to elevate food service to the highest level," says Colleen. "There's an awful lot that goes in to making an event come off just right."

As we head for 2004's finish line, everyone here would again like to thank all of you for the chance to help you with your tax and accounting needs. Best wishes to you all for a safe and joyous holiday season and 2005!