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Wow! Tax season is here already?! As always, we'll be extending office hours to accommodate the rush. Looking forward to seeing you all as you keep appointments, drop off tax information and pick up returns!

ORGANIZE YOUR ORGANIZERS

Year 2001 income tax organizers were mailed to most individual tax clients in mid-January. These organizers are fill-in-the-blank workbooks that greatly assist income tax preparation and reduce fees. Here are a couple of things to keep in mind when you're filling them out:

- ◆ **Review the Personal Information.** Changes in marital status, dependents, address affect tax prep and should be noted
- ◆ **Fill out the Easy Items First.** Use prior year data listed in the organizer for clues. . .fill in the 2001 blanks with appropriate amounts for wages, interest income, etc. . .refer to 2001 W-2, Forms 1099 and 1098, etc. for correct amounts
- ◆ **Leave the Tough Stuff for Us.** Don't blow a weekend making certain every organizer box is filled in correctly. . .we'll complete the hard parts. . .some of you, for example, supply QuickBooks backup disks for business information instead of completing the organizer page
- ◆ **Include the Engagement Letter and Documents.** Sign the standard engagement letter mailed with your organizer. . .include pertinent tax documents so you won't need to locate them later in the event of an audit. . .call us for an appointment if you'd like to discuss your completed organizer

TAX CHANGES FOR 2002

Tax law remains a moving target. Here are some highlights of generally favorable tax law changes for 2002:

- ◆ **Tax Rates Head South.** New lowest bracket continues at 10%. . .top four brackets drop half a percentage point. . .phase-in of ultimate 3% drop in most brackets continues through 2006
- ◆ **Deductions Expanded.** Qualified tuition and related expenses now deductible, subject to income limits. . .portion of self-employed health insurance increases to 70%
- ◆ **IRA Contribution Limits Increased.** Eligible individuals can deduct up to \$3,000 contributed to traditional IRAs. . .SIMPLE IRA elective deferrals increase to \$7,000. . .individuals 50 or older can add \$500 (my ex-partner takes great delight in reminding me I'll soon be eligible for this). . .annual limit on SEP-IRA contributions rises to 25%

QUARTERLY ESTIMATED TAX PAYMENTS

Wage earners pay federal and state income tax in advance through wage withholdings but income from other sources is often "unprotected" by withholdings. Significant income of this type can mean unpleasantly large tax liabilities on April 15. Some common questions and answers:

◆ **What Types of Income Trigger Estimates?** Significant income from a sole proprietorship, investments or rentals. . .money-making S corporations or partnerships can also create tax liabilities for their owners

◆ **How Much Is Enough?** Underpayment penalties can generally be avoided by paying in each year an amount equal to the prior year's total tax liability. . .alternatively, paying in 90% of current year liability is acceptable. . .problem with latter method is predicting current year tax liability in advance

◆ **How and When are Payments Made?** Federal and state estimate amounts are due April 15, June 15, September 15 and January 15. . .payments are typically made by check accompanied by voucher coupon

◆ **What if Payments are Required but not Made?** Both IRS and Oregon will assess underpayment penalties. . .calculated much like interest

TIMELY REMINDERS

A couple of final items you might want to be thinking about now:

◆ **Refinancing** Interest rates remain at historic lows, less than 7% on 30-year loans according to Colleen Leer of Mortgage Resource Group. . .one general rule of thumb: consider refinancing if you can cut your rate by 2%, will be in your home more than 2 years, and can keep refi fees below 2% of loan amount. . .also consider using refi proceeds to pay off high interest rate credit card or auto debt

◆ **IRAs** Deductible "traditional" IRA contributions for 2001 may be made up to April 15, 2002. . .Consider funding 2002 IRA contribution now to maximize tax deferred compounding

We'll have some new faces around here this tax season. Ruby Tollefson, a licensed tax consultant with the Eugene office of a regional tax prep firm for nearly 20 years, will be preparing individual and corporate income tax returns. Dawn Millican, an accounting student at Lane Community College, will be grabbing phones and helping out in other areas. As mentioned in the last newsletter, Ron Bodeen will also be pitching in. All with an eye toward another very busy tax season.

Thanks to all our clients for your continuing support and trust. To all of you from all of us: Many Happy Returns!