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Well, tax season is officially under way! By now, most of you have received in the mail your annual tax organizer workbooks. And the returns are starting to come into our office for preparation. Hard to believe it's our 16th tax season.

THE NEWS IN BRIEF

♦ **Economic Relief.** The U.S. House on January 29 passed a $150 billion economic stimulus package. . .single taxpayers will receive a tax rebate of up to $600; joint filers will receive up to $1,200. . .an additional rebate of $300 will be paid for children. . .higher income taxpayers will receive reduced rebates or nothing at all. . .businesses will be allowed to more quickly deduct the cost of purchasing new fixed assets. . .checks are not expected to be sent out until May or June. . .the bill must clear the Senate before being signed into law. . .the IRS is already warning that scam artists may use the rebates to fraudulently seek confidential information

♦ **IRS Highlights Issues.** Items of interest at the annual IRS/CPA meeting in Washington, DC: audit rates for 2006 were 1% for all individuals, 2% for individuals with income over $100,000, 6% for individuals with income over $1 million, and 14% for corporations with assets between $10 million and $250 million. . . the "tax gap" (i.e., the difference between what is collected and what should have been collected) is about $345 billion. . .almost half that is due to underreporting small businesses. . . more than 139 million 2006 individual returns were filed. . .about 58% of 2007 individual returns will be filed electronically. . .of more than 6 million cases where tax return numbers did not match reported amounts on W-2s and other documents, the Service only had resources to follow up in about 2 million cases

♦ **When Zero Isn't Really Zero.** Heard that the capital gain rate for 2008 is zero? Well, not exactly. . .the zero rate applies to most long-term capital gain and dividend income that would otherwise be taxed at the 10 or 15 percent rates. . .joint returns hit the "top" of the 15% bracket at about $65,000 of taxable income in 2008. . .all gains after $65,000 of taxable income continue to be taxed at 15% for federal tax. . .children subject to "kiddie tax" rules will not be able to use the lower capital gain rates

The backbone of our tax department this season includes two LJCPA veterans: myself and Wendy Sayer (now in her 9th season with us) and two new faces: Amy Moorehead with almost 30 years of experience in tax and accounting, and Jared Durham, a CPA entering his fourth tax season. We all look forward to assisting you in the coming months with your individual and business tax returns.

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Several of our financial clients contacted our office soon after the news broke about Bear Stearns. The behemoth financial firm was in trouble, big trouble, and people wanted reassurance. Was 1st Global anything like Bear Stearns? Had 1st Global perhaps invested heavily in subprime mortgages? Were their individual accounts invested in subprime mortgages? Were they insured against losses?

First and foremost, there are some big differences between 1st Global and Bear Stearns. The former is privately held while the latter was publicly traded. And Bear Stearns was heavily invested in subprime mortgage obligations. 1st Global is not.

"We have no subprime exposure, other than a little in our Fidelity money market fund and that's a very small piece," explained Scott Summerford, director of investment policy and research for 1st Global. "We made a move about two years ago to utilize nothing but high quality bonds."

LAJ Financial Services generally uses mutual funds or exchange traded funds like iShares Lehman Aggregate Bond for the fixed income portion of client portfolios. Summerford explained that this particular fund holds less than five percent of its portfolio in "high yield" instruments. That's not enough to materially affect the performance of the fund, he added.

As far as insurance, investors should understand that they are not insured against market losses. Investing necessarily involves an element of risk. Securities move up and down in value and there are no guarantees that the stock you bought last week for 100 will be at 110 next week.

1st Global is, however, a member of SIPC, Securities Investor Protection Corporation. SIPC is an industry financed insurance plan that protects clients of financial firms. SIPC insures customer accounts for up to $500,000 against financial failure of member firms.

SIPC is not a branch of the US government. Its roots instead lie within the financial services sector. Its mission is to restore funds to investors with assets in the hands of bankrupt or otherwise financially troubled brokerage firms. So, had Bear Stearns actually devolved ultimately into bankruptcy, investors with accounts at Bear Stearns would most likely have received all or most of the cash and securities they owned in those accounts, and far more quickly than if they had to wait for legal bankruptcy proceedings.

Investing involves risk. There is no way to avoid it. We can only seek to identify and minimize those risks, while attempting to obtain the returns we need to accomplish our financial goals.