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If I'm counting correctly I just survived my 25th tax season. And while the cumulative effect has left me stooped and aged far beyond my years, a part of me enjoys various aspects of the annual cycle: meeting again with clients I haven't seen in a while; the hectic and harried deadline pressure, and, perhaps most of all, the after-tax season party at which I get to say a small thanks to the best staff in the world. Plenty of work remains, however, starting with this edition of our quarterly newsletter.

TAX CHANGES COMING?

Many important tax provisions will expire on the last day of 2012 unless Congress takes action. But don't expect much of that until after the election. For now, let's look briefly at some of the changes scheduled to occur:

♦ **Tax Rates:** The "Bush Tax Cuts" implemented in 2001 and 2003 sunset this year. . .current federal income tax rates of 10, 15, 25, 28, 33 and 35 percent will be replaced by rates of 15, 28, 31, 36 and 39.6 percent. . .long-term capital gain rates rise from 15 to 20 percent.

♦ **Other Tax Items:** Qualified dividends lose their favored status and will be taxed at ordinary income rates. . .limitations return on itemized deductions and personal exemptions. . .the two percent reduction in payroll taxes enjoyed by wage earners and self-employed workers since early in 2011 rolls back to the full 7.65 and 15.3 percent. . .relief from alternative minimum tax expires, potentially making 30 million taxpayers subject to the dreaded AMT.

♦ **Price Tags and Politics:** The Congressional Research Service estimates the cost of just a two year extension of the Bush tax cuts at almost $500 billion. . .cost of the payroll tax cut for 2011 and 2012 was pegged at $225 billion. . .expect Republicans to suggest extending most or all of the tax breaks and "paying" for the lost revenue with program cuts. . .Dems are more likely to support allowing some of the tax breaks to die with the new year. . .don't look for any meaningful discussion of these issues until after presidential and congressional elections in early November.

BUFFET RULE TAX DEFEATED IN SENATE:

Attempts by Democratic senators to pass a "Buffet Rule" tax on the uber-wealthy came up short last month. For Dems, it was all about fairness in tax rates. For the GOP, it was a shameless attempt by the opposition to further soak the rich.

Famed gazillionaire investor Warren Buffet grabbed headlines last year by pointing out that his federal income tax rate was lower than his secretary's. ABC News reported the respective rates as 17 and 36 percent. President Obama then pushed for legislation to impose a minimum tax rate of 30 percent for households with income in excess of $1 million. Buffet was effusive in his support.

Passage was never really feasible, and Democrats were accused of forcing a vote for the sake of political theater.

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(Interesting sidenote: Buffet's secretary was trotted out for Obama's State of the Union speech back in January, serving as an example of a hardworking middle-class clerk paying taxes at rates more appropriate for the wealthy. Forbes magazine subsequently reported that she likely receives an annual income from Buffet of more than $200,000. Still later, she jokingly listed the top five things she'd buy if she could get into a lower tax bracket. Number one: "A brand new iMac so I can stop using those crappy PCs he gets from Bill Gates.")

A CAUTIONARY TALE:

Way back in 2004 a client for whom our office prepared corporate and individual tax returns explained a new tax-advantaged retirement plan he was being pitched. He was anxious to sign on, and clearly annoyed by my lack of instant enthusiasm. At his request I met with the financial advisor promoting the concept. I came away unimpressed, and honestly (and perhaps too bluntly) expressed my reservations to my client. I was fired shortly thereafter, replaced, I was told, by a CPA intimately familiar with this program.

Fast forward to a couple of months ago when I picked up a copy of the Eugene Register Guard and read about the arrest on theft charges of James Scott McKee, a Eugene financial planner. The Guard reported that, according to a disciplinary complaint filed by a financial industry regulator, McKee defrauded customers of at least $370,000 and improperly used more than $650,000 of customer money for his own personal benefit.

Yep, 'twas the same guy I met with on behalf of my client.

The RG told a convoluted story of promises of unreasonably high rates of returns, false claims, and failure to disclose to clients McKee's direct financial interest in some of the enterprises he was offering for sale. The complaint against McKee catalogued alleged wrongdoing from 2006 to 2011. My former client fired me in 2004. Maybe he got in and out without getting hurt. I certainly hope so.

Meanwhile, back here at the international HQ of Larry A Jaffe, PC, we're pleased to report that our new website portal exchange system has been successfully launched. Many of you received your 2011 tax returns in digital format via the portal. The portal is a highly secure, convenient way to exchange digital documents via the internet. It's accessed directly from our website: www.lajcpa.com. Client feedback has been overwhelmingly positive, and we hope those of you who haven't yet used this tool will test the water soon.

Finally, put your hands together and welcome the newest member of our team: Kim McClatchey. Kim will be assisting Jan Taylor in our payroll and bookkeeping department.