Newsletter
Spring 2012

TYLER ✦ LYNCH PC

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

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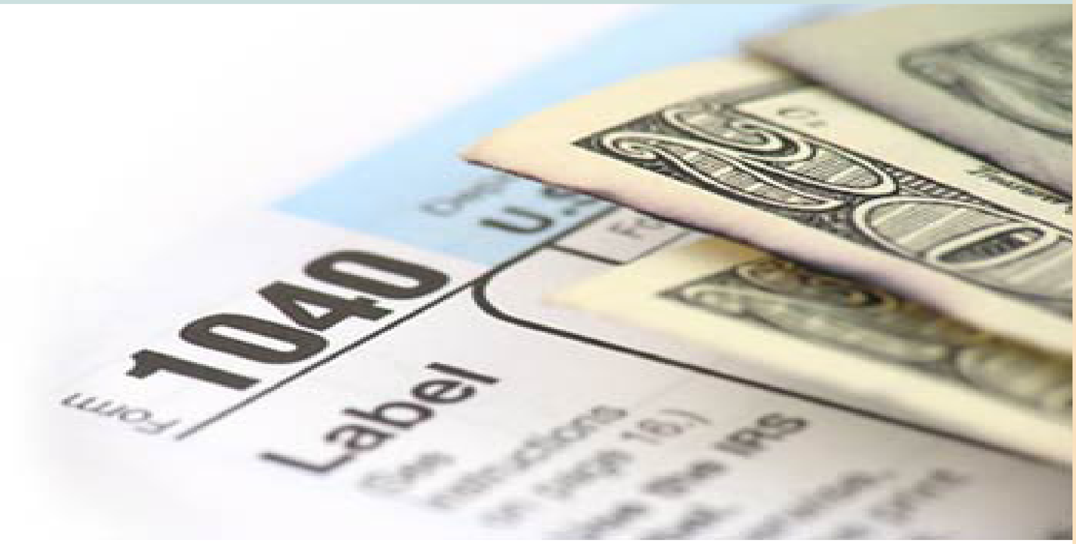


2011 Tax Changes

As we find ourselves in the midst of tax season, here are a few helpful tips to keep in mind:

Payroll tax cut
The Temporary Payroll Tax Cut Continuation Act of 2011 temporarily extended the two percentage point payroll tax cut for employees, continuing the reduction of Social Security tax withholding rate from 6.2% to 4.2% of wages paid through Feb. 29, 2012. In addition, the social security tax rate for a self-employed individual remained at 10.4%. Further extension of the payroll tax cut has recently been agreed upon, extending the payroll tax cut through the end of 2012.

Investment Tax Rate: As in 2010, taxpayers in the 10% as well as the 15% income tax brackets will enjoy a tax rate of zero for long-term capital gains and dividends. Those in the 25% bracket and above, will experience a historical low rate of 15%. These rates are set to expire at the end of 2012.

Estate and Gift Tax: The federal estate and gift tax rate remains at 35% for 2011, a rate reduced from 55% over the past ten years. The lifetime estate and gift combined exemption is $5 million per individual, which will remain the same in 2012. On an annual basis, gifts up to $13,000 per recipient are tax-free for the donor, as are gifts of tuition and medical payments regardless of their value.

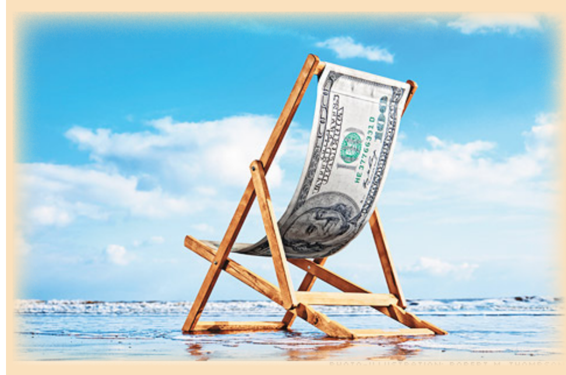
Energy Tax Credit: The energy tax credit has been reduced from last year's $1,500 to $500 per taxpayer per lifetime. This rewards 10% of what homeowners will spend on energy-saving improvements, down from 30% in 2010. *(Continued on page 2)*

Is a Roth IRA right for you?

Beginning in 2010, the $100,000 Adjustable Gross Income (AGI) limit on Roth IRA conversions expired. Essentially, this means that anyone—regardless of income—may now convert to a Roth IRA.

Why might it be advantageous to convert from a Traditional to a Roth IRA? Actually, there are quite a few benefits of converting:

- No RMDs: While Traditional IRAs have required minimum distributions after age 70 ½, Roth IRAs are RMD-free. In effect, your account can lay idle for years without any withdrawals at all.
- Tax Exempt Growth: Roth IRA holders must pay tax on contributions upfront, but withdrawals are tax-free. This trait becomes extremely favorable if you wish to pass on a tax-free account to your heirs. (*Continued on page 2)*



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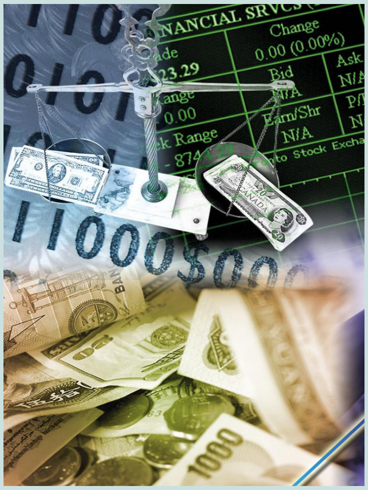
Standard Mileage Rates: The standard mileage rates for 2011 as compared to 2010 are shown below with numerical values in cents.

Purpose	2011		2010
	Jan-Jun	Jul-Dec	Jan-Dec
Business	51	55.5	50
Medical	19	23.5	16.5
Charitable	14	14	14

Avoid Penalties by Reporting Foreign Accounts and Assets



Foreign Bank Accounts

If you own a foreign bank account, you may be required to report the account yearly to the Internal Revenue Service by filing Form TD F90-22.1, Report of Foreign Bank and Financial Accounts (FBAR). This form needs to be filed if a person has financial interest in or authority over one or more accounts in a foreign country and the value of the account exceeds $10,000 at any time during the year.

Penalties for failing to report foreign financial accounts can be quite severe. For 2011, the FBAR penalty has been increased from 25% to 27.5% of the highest aggregate balance in foreign bank accounts during the eight full tax years prior to the disclosure. Taxpayers with smaller accounts or limited contact with their account may be eligible for reduced penalties.

Foreign Assets

Beginning in tax year 2011, individuals with an interest in a "specified foreign financial asset" must attach Form 8938, to their income tax return if the aggregate value of the assets exceeds the thresholds below. Failure to file Form 8938 may result in a $10,000 penalty.

Category	Total value on the last day of the tax year is greater than	Total value at any time during the tax year is greater than
Single taxpayer	$50,000	$75,000
Married filing jointly	$100,000	$150,000
Married filing separately	$50,000	$75,000

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- Tax Rate Knowledge: Converting to a Roth IRA now means that you don't have to be concerned about changes in future tax rates, since under a Roth IRA any distribution is not taxable.

If there are so many benefits to converting to a Roth IRA, why doesn't everyone make the switch? One aspect of Roth IRA conversion that may hold you back is the tax liability. You will owe income tax on Roth IRA conversions because original deposits into a Traditional IRA were tax-deferred, so the conversion is treated as ordinary income. In an effort to reduce this amount, you may want to consider converting to a Roth IRA over the course of a few years. If you are interested in converting to a Roth IRA, further consultation on your specific situation may provide you with useful analysis.