



2011 Year-End 1040 Client Letter

Dear Valued Client,

As 2011 has come to an end, we are actively preparing for the upcoming tax season. We are committed to keeping you informed of any tax law changes through this mailing and our website. This mailing highlights some of the important new items for 2011 along with other key topics. Attached is our tax information questionnaire to assist in organizing your tax information. If you prefer the detailed tax organizer, they are available upon request. Please notice your "suggested" drop-off date listed above. **You are encouraged to drop-off your information prior to your suggested date, if your information is complete.** Please take a few moments to identify the items below that may apply to your income tax situation and visit www.dgkcpa.com for any updates. If you have rental properties or a small business that files form Schedule C, we have information sheets on our website.

New Items

Home Owner Energy Credits

If you have purchased insulation, storm windows or doors, a high-efficiency furnace, a water heater or made similar energy improvements, you may qualify for a 10-30% Federal income tax credit. However, the lifetime credit is limited to \$500 and other limits are imposed based on the type of improvement.

Mileage Deductions

The mileage rates for 2011 increased as of January 1 and increased again on July 1. Please complete the applicable section of our questionnaire if you had deductible business miles, medical miles and/or charitable miles.

Rental Property

If you own rental property, the IRS is requiring substantially more information. We now need, **for each property separately**, the physical location, the type of property (single-family, duplex, etc.), and a record by property of the number of days rented and the number of days used for personal purposes.

Form 1099-K

New for 2011, credit card processors and third-party networks (e.g. Paypal) are required to issue Form 1099-K to businesses and individuals receiving payments via these methods. If you receive this form, please include it with your tax information so we can comply with reporting requirements.

Michigan Income Tax

For 2012, the State tax law has changed significantly relating to taxation of retirement benefits, social security benefits and interest/dividends. Individuals born prior to 1946 will not be affected by the changes. Individuals born between 1946 and 1952 will be somewhat affected. Individuals born after 1952 may see significant increases to income that is subject to state income tax.

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Additional Information

Charity

Cash contributions of less than \$250 must be accompanied by a canceled check or receipt from the charitable organization. Any individual contribution over \$250 must also have an acknowledgement letter from the charity. The letter must show the date and amount of any individual contribution over \$250, and must also state that no goods or services were received in return for the contribution. **Therefore, no documentation, no deduction, no exceptions.**

Roth IRA Conversions

You will likely continue to hear that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are also many disadvantages that carry some major tax consequences. If you are considering a Roth conversion, please contact us after speaking to your financial advisor.

Education Credits

The major revisions of college tuition tax credits in 2009 and 2010 still apply for 2011. These revisions resulted in the "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college, please provide tuition amounts paid directly or paid with student loans. Reminder: parents of full-time students may be eligible for the credit regardless of who pays the tuition.

Mortgage Interest

Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track re-financings and the use of loan proceeds. Please provide us with any new home loan information, closing statements from any re-financings, and a summary of how additional loan proceeds were used.

Foreign Accounts

If you have an account with over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Gift Changes

For 2011, the amount you may give to one person in one year without any return filing requirements remains at \$13,000.

Worthless Stocks and Bonds

If you own stocks or bonds that became worthless this year, please be sure to provide us with the cost and purchase dates so that we can take all allowable deductions.

We have identified some of the highlights for 2011. Please feel free to contact us with any questions that you have. As always, we strive to provide you with timely, complete and accurate service while keeping your tax liability to the lowest legal amount. We encourage you to forward your income tax information as soon as you have everything organized. Tax information received after March 31 will likely result in an extension.

With our thanks,

DeBoer, Goodyke, Kahler & Tuttle P.C.