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WE WISH YOU A FESTIVE
HOLIDAY SEASON AND A
HEALTHY, HAPPY AND
PROSPEROUS 2012!

What's New at Brinker, Simpson & Company

We congratulate Tom McGarrigle, CPA and Katie Parry, CPA on receiving their CPA certificates from the PICPA.

Bob Simpson has been elected Chairman of the Member Services Division of the Delaware County Chamber of Commerce.

On December 8th, Aimee Moran, Denise Farrell, CPA, Hannah Leese, Kellie McShane Harris, Sean Ennis and Sarah Robb will be joining the Entrepreneurs' Organization's Philadelphia chapter in a Philabundance food drive in South Philadelphia.

Enhancing and improving the lives of those living with autism, we sponsored the Adults Living with Autism: Living with Independence Value & Esteem's (AALIVE) 4th Annual We're Feelin' Alive Social on November 11, 2011.

We congratulate Anne McPeake and Matt Minge for celebrating 20 Year Anniversaries with the firm!

Hear Bob Simpson on Lorraine Ranalli's Cucina Chatter radio show airing on WWBD -860 am Tuesday, December 20th from 10:00-11:00am.

Andrew Brenner, CPA and his team grew mustaches for Movember for the third consecutive year. They have raised close to \$2,000 to support the Prostate Cancer Foundation, Livestrong, and other men's health charities.

Our staff donated Thanksgiving baskets, complete with Turkey and all the fixings, for several local families in need as well as to the Northern Home for Children.



On October, 26 - 28, 2011, we exhibited at the Health Care Association of New Jersey's Annual Convention and Expo in Atlantic City, NJ. Linda Scafiro recently joined HCANJ's Reimbursement Committee.

Join us in helping children diagnosed with pediatric brain cancer and providing financial support to their families through the **Lenny's Friends with Wings Foundation**. We will be sponsoring a lane at their upcoming fund raiser, "2012 Bowling Bash" on February 25, 2012, Laurel Lanes, 2825 Route 73 South, Maple Shade, NJ from 1-4 pm. For more information about the foundation, visit: www.lennysfriends.org.

Our Adopt-a-Family program is well under way where we purchase, wrap, and deliver gifts to local families in need so they can enjoy the holidays. If you would like to contribute gifts this year, please e-mail Anne at amcpeake@brinkersimpson.com. We will be delivering the gifts on December 14th.

Would you like to receive our newsletter via e-mail? Please send us a request at hleese@brinkersimpson.com to be added to our e-mail list.

2011 TAX PLANNING STRATEGIES

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Capital Gains Tax and Timing: Although time, not timing, is generally the key to long-term investment success, timing can have a dramatic impact on the tax consequences of investment activities. The 15% long-term capital gains rate (which also applies to qualified dividends) is 20 percentage points lower than the highest ordinary-income rate of 35%. It generally applies to investments held for more than 12 months. (Higher long-term gains rates apply to certain types of assets.) Holding on to an investment until you've owned it more than a year may help substantially cut tax on any gain. Here are some other tax-saving strategies related to timing:

Use Unrealized Losses to Absorb Gains: To determine capital gains tax liability, realized capital gains are netted against realized capital losses. If you've cashed in some big gains during the year and want to reduce your 2011 tax liability, before year end, look for unrealized losses in your portfolio and consider selling them to offset your gains.

Avoid Wash Sales: If you're trying to achieve a tax loss with minimal change in your portfolio's asset allocation, keep in mind the wash sale rule. It prevents you from taking a loss on a security if you buy a substantially identical security (or option to buy such a security) within 30 days before or after you sell the security that created the loss. You can recognize the loss only when you sell the replacement security. Fortunately, there are ways to avoid the wash sale rule. For example, you may immediately buy securities of a different company in the same industry or shares in a mutual fund that holds securities much like the ones you sold; or, you can wait 31 days to repurchase the same security. Alternatively, before selling the security, you can purchase additional shares of that security equal to the number you want to sell at a loss, and then wait 31 days to sell the original portion.

Swap Your Bonds: With a bond swap, you sell a bond, take a loss and then immediately buy another bond of similar quality and duration from a different issuer. Generally, the wash sale rule doesn't apply because the bonds are not considered substantially identical. Thus, you achieve a tax loss with virtually no change in economic position.

Other Year End Tips

Residential Energy Credits: If you haven't taken advantage of energy tax credits for your home, 2011 is your last chance. The credits—10% of cost up to \$500 or a specific amount from \$50 - \$300—expire on December 31, 2011 and only apply to improvements in an existing home that is your principal residence.

Make Charitable Contributions: You can donate property as well as money to a charity. You can generally take a deduction for the fair market value of the property; however, for certain property, the deduction is limited to your cost basis. While you can also donate your services to charity, **you may not deduct the value of these services.** You may also be able to deduct charity-related travel expenses and some out-of-pocket expenses. Keep in mind that a written record of a charitable contribution is required in order to qualify for a deduction. A donor may not claim a deduction for any contribution of cash, a check or other monetary gift unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or written communication from the charity (such as a receipt or a letter) showing the name of the charity, the date of the contribution, and the amount of the contribution.

Prepare Ahead - If you have any unique ideas, situations or concerns, now is the time to plan. Please contact us to assist you before year end.

2011 TAX BRACKETS – TAXABLE INCOME LEVELS

SINGLE	BRACKET	MARRIED/JOINT
\$0 - \$8,500	10%	\$0 - \$17,000
\$8,500 - \$34,500	15%	\$17,000 - \$69,000
\$34,500 - \$83,600	25%	\$69,000 - \$139,350
\$83,600 - \$174,400	28%	\$139,350 - \$212,300
\$174,400 - \$379,150	33%	\$212,300 - \$379,150
\$379,150 +	35%	\$379,150 +

FAMILY & EDUCATION: How to Save Taxes from Birth to Graduation — and Beyond

Children with Jobs: If your children work after school, on weekends or during vacations, additional tax-saving opportunities may be available:

IRAs for Teens: IRAs can be perfect for teenagers because they likely have many years to let their accounts grow tax-deferred or tax-free. The 2011 contribution limit is the lesser of \$5,000 or 100% of earned income.

Employing your Children: If you own a business, consider hiring your children. As the business owner, you can deduct their pay, and other tax benefits may apply. They can earn up to \$5,800 (the 2011 standard deduction for singles) and pay zero federal income tax. *Warning:* They must perform actual work and be paid in line with what you would pay non-family employees for the same work.

Education Credits and Deductions: If you have children in college now, are currently in school yourself or are paying off

student loans, you may be eligible for one of the following credits or deductions:

- **American Opportunity credit:** An expanded version of what was previously known as the Hope credit, this tax break covers 100% of the first \$2,000 of tuition and related expenses and 25% of the next \$2,000 of expenses. The maximum credit is \$2,500 per year for the first four years of postsecondary education.

- **Lifetime Learning Credit:** If you're paying postsecondary education expenses beyond the first four years, you may be eligible for the Lifetime Learning credit (up to \$2,000 per tax return).

- **Tuition and Fees Deductions:** If you don't qualify for one of the credits because your income is too high, you might be eligible to deduct up to \$4,000 of qualified higher education tuition and fees. There are income limitations here, too.

Pennsylvania ACT 32 – Local Earned Income Tax

What is ACT 32? Act 32 is a law that reforms and standardizes the local earned income tax system. The appointment of collection responsibility falls on countywide committees made up of representatives from local municipalities and school districts. The committees established tax collection districts and elected tax officers to collect the Earned Income Tax (EIT). Act 32 requires uniform withholding of earned income taxes and remittance to a single local collector or Tax Officer. The Act applies to the earned income taxes levied and collected after December 31, 2011. Employers must begin to withhold the local EIT from employees on January 1, 2012. Appointed tax officers start collecting the EIT on January 1, 2012, unless the tax collection district has opted for early implementation. Call us with questions on this.

Retirement Plan Contributions

Maximize your retirement plan contributions. If you own an incorporated or unincorporated business, consider setting up a retirement plan if you don't already have one. (It doesn't need to actually be funded until you pay your taxes, but allowable contributions will be deductible on this year's return.)

If you are an employee and your employer has a 401(k), contribute the maximum amount (\$16,500 for 2011 and \$17,000 for 2012, plus an additional catch up contribution of \$5,500 if age 50 or over, assuming the plan allows this much and income restrictions don't apply).

If you are employed or self-employed with no retirement plan, you can make a deductible contribution of up to \$5,000 a year to a traditional IRA (deduction is sometimes allowed even if you have a plan). Further, there is also an additional catch up contribution of \$1,000 if age 50 or over.



Cancellation of Debt Income

Cancellation of debt has become a reality for many people due to changing economic circumstances. During these tough times, it's easy to fall behind on credit cards and mortgages. **In some cases, the credit card company or mortgage holder could write off the loan. This can be a double-edged sword.** On one hand, you no longer have to pay back the loan; on the other hand, you are generally required to include the amount of debt cancelled in your taxable income for the year. This can lead to hefty tax bills if not properly accounted for when the cancellation occurs.

There are, however, exceptions to this general rule. The following cases allow for exclusion of cancelled debt income:

- Discharge of debt of an insolvent taxpayer - not taxable where the taxpayer has a negative net worth just before cancellation occurs, calculated by subtracting liabilities from the fair market value of assets.
- Discharge of qualified principal residence debt - not taxable when an individual restructures their acquisition debt, loses their residence in a foreclosure, or is involved in a short sale where the proceeds are insufficient to pay off the mortgage.
- Discharge of debt through bankruptcy.
- Discharge of qualified farm debt.
- Discharge of qualified real property business debt.

This is a very tricky tax area, and you should call us if you are facing any of these issues.

Gifting Limitations

Sometimes a gift could be a taxable gift. However, there are many exceptions to this rule, including gifts to a spouse, tuition or medical expenses paid for someone directly to an educational or medical institution and gifts to charities.

For 2011 and 2012, the annual gift tax exclusion remains unchanged at \$13,000. You can give gifts valued up to \$13,000 to any number of people and none of the gifts will be taxable. There are some significant estate planning issues regarding gifting, and some expanded limits that may disappear, please contact our office for more information on gifting.

Do Not Open E-Mails from the IRS!

The IRS does not send e-mails. If you see one, it is an attempt at identity-theft. Do not open nor forward an e-mail "from the IRS". Be sure to delete it and block the sender.



2012 Retirement Plan Limitations: Changed from 2011

On October 20, 2011, the IRS announced cost of living adjustments applicable to retirement plan contribution limits for 2012. The table below shows the 2011 and 2012 contribution limits for 401(k) plans:

Limits	2011	2012
401(K) Elective Deferrals	\$16,500	\$17,000
Annual Defined Contribution Limit	\$49,000	\$50,000
Annual Compensation Limit	\$245,000	\$250,000
Catch-Up Contribution Limit	\$5,500	\$5,500
Definition of Highly Compensated Employee	\$110,000	\$115,000
Social Security Wage Base	\$106,800	\$110,100

Do You Have the Proper Controls and Procedures to Prevent Fraud?

As the end of 2011 rapidly approaches, many companies are focused on preparing for the close of their accounting year. Accounting departments schedule and anticipate the auditor's annual arrival; while auditors prepare and plan their annual fieldwork to fulfill their requirements as stated in accordance with auditing standards. One standard issued by the Auditing Standards Board of the American Institute of Certified Public Accountants in October, 2002 is the Statement on Auditing Standards No. 99: Consideration of Fraud in a Financial Statement Audit. The audit engagement team is required under this standard to follow several specific procedures to comply with SAS99. One such procedure is to conduct interviews with company management and personnel to identify and evaluate internal controls which would detect and diminish the risks of material misstatements in the financial statements due to fraud. While it is common for management and accounting department personnel to participate in this annual fraud discussion, the scope of SAS99 extends beyond the accounting department. So we wanted to make you aware that in performing our year end audits that our personnel we will be interviewing or having one or more of your non-accounting employees fill out a questionnaire as it pertains to fraud. These interviews are a useful tool and often prove quite informative and valuable to both the audit team and to company's management.

Note: Many states have not matched these amounts.