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Dear Clients:

2012 marks 35 years of service to our tax and accounting clients. While we celebrate this history, we are anxious to serve you for many years to come.

When you come into our office, you will see the same faces again this year. Serving as your tax professionals **will be Cathy Johnson, Shannon "Cissy" Shelton, Melissa Wight, Stanlynn Daugherty, and Lisa Mathias.** Our outstanding support staff continues to be Tracy Frei and Jenny Peppers.

Contained in this little newsletter are highlights of some of the changes that can impact your 2011 tax return. We hope you will enjoy reading about them.

We are enclosing either an update form or an organizer with this letter. These forms help us to ensure the information on your tax return is correct. If you did not receive an organizer and would like to have one, please call us and we will get one to you. Some of our clients find the organizer useful, while others do not. Certainly, the choice is yours! You can also receive an organizer through email. The e-organizer provides the ability to complete the organizer right on your computer and return it to us without ever having to print it. Please let us know if you would like to receive an e-organizer as well.

We will begin our longer tax season hours on Monday, January 23, 2012. We will be open Monday through Friday, 8:00am to 6:00pm, and Saturday 10:00am to 4:00pm. We do close from 12 noon to 1:00 for a lunch break each day. If possible, please make an appointment by calling

our front office staff at (541) 569-2272. This ensures that one of us will be available to meet with you, thus giving you the best possible service.

It has been a pleasure serving our clients these past 35 years. We are looking forward to seeing each of you again.

- Cathy & Crew



Stanlynn, Tracy, Cissy, Lisa, Cathy, Jenny, Melissa

New Questions On Tax Forms About 1099s

The IRS is becoming evermore strict on the filing requirements for Form 1099. Now the IRS has questions on their tax forms asking if you made any payments that would require you to file Forms 1099 and did you file these 1099s.

Penalties have recently increased. Please do not wait until you file your tax return to send out 1099s. If you fail to file a Form 1099 by January 31, 2012, you may be subject to a \$50 penalty for each payee not furnished with a copy of the 1099 plus the following penalties:

\$30 penalty for each 1099 filed not more than 30 days late, OR

\$60 penalty for each 1099 filed more than 30 days late and before Aug 1, OR

\$100 penalty for each 1099 filed on or after Aug 1, OR

\$250 penalty for each 1099 which was intentionally not filed

Currently the IRS requires that a Form 1099 be issued to any individual or unincorporated business paid \$600 or more for services or rent. We are happy to assist our clients in filing this form, which is required to be sent to the recipient by January 31st. If you are a business owner, landlord or farmer and wish to claim a deduction for an expense related to services or rent you paid in the course of doing business, you should contact our office right away so we can make sure your forms are filed on time.

Brand New Form 1099-K

Any business that accepts credit cards or payments through a third party such as PayPal, will be receiving a brand new Form 1099-K. If you receive any of these forms, it is important that you bring them to us. The amounts shown on these forms will be reported separately from the remaining income your business receives.

Payroll Tax Cuts

The \$400 per person Making Work Pay Credit that most of us have been receiving the past couple of years is no longer available in 2011. Instead, a 2% payroll tax cut was put into place. Employees would have seen this adjustment in their paychecks in 2011. However, self-employed taxpayers have not yet received any benefit from this tax cut. So these will now receive a 2% reduction in their self-employment tax on their 2011 tax return.

Special Depreciation

Businesses and farms that purchase new depreciable items may be eligible to deduct 100% of the cost of this asset.

New for 2011—The Hire Retention Credit

Back in 2010, if you hired an employee who had been unemployed for two months before they began working for you, you were able to reduce the payroll taxes you paid on them. If these same employees have remained employed with you for 52 consecutive weeks, you may qualify for a tax credit of up to \$1,000 for each retained worker. Please let us know if you think you have any employees that might qualify you for this Hire Retention Credit.

Energy Credits

Energy credits for 2011 have been reduced to 10% of qualified expenditures. There is a lifetime limit of \$500 to these credits. Qualified windows are capped at \$200 and water heaters, wood and pellet stoves are capped at \$300. Because these are lifetime limits, we will need to subtract any credits you may have already claimed in 2006 through 2010. Details on the credit may be found online at:

http://www.energystar.gov/index.cfm?c=tax_credits.tx_index

Oregon residents may be eligible for a tax credit on energy efficient items purchased in 2011. Be aware that appliances, such as washers, dryers, and refrigerators will no longer qualify for a tax credit after 2011. Details on those credits are online at:

<http://www.oregon.gov/ENERGY/CONS/RES/RETC.shtml>

Please don't hesitate to contact us if you have questions about a specific aspect of these credits.

Special Situations

In the event that any of the following situations may apply to you, please let us know when you come in for your appointment or when you send us your tax documents:

- If you had cancellation or restructuring of debt or a mortgage foreclosure
- If you claim a dependent child that did not live with you
- If you sold your personal residence

Changes to Schedule E for Rentals

Those with rentals will need to answer additional questions on this tax form starting in 2011. We are now to list a numeric code describing the type of rental you have. We will also need to report the exact number of days the property was rented or available for rent and the exact number of days the property was used personally during the year.

Schedule D Has Changed

We no longer use Schedule D to report the sale of stocks or property. Schedule D is now a summary form. To report sales, we will be using a brand new Form 8949. We may need to file up to six of these forms for each category of sale that you have. The totals from each form are then taken to the Schedule D. Due to this change, it is important that you provide us with a copy of your end-of-the-year brokerage statements. This way we can tell what category your sale falls in.

Federal Standard Deduction Rates

2011 Standard Deductions	If over 65 or blind add
Single/Married Filing Separately - \$5,800	\$1,450
Married Filing Jointly - \$11,600	\$1,150
Head of Household - \$8,500	\$1,450

IRA Contribution Information for 2011

The maximum total contribution a taxpayer may place in Traditional and Roth IRAs remains at \$5,000. For taxpayers who are age 50 or older, the maximum is \$6,000. You may make contributions to your IRA no later than April 15, 2012 for tax year 2011.

Foreign Bank & Financial Accounts

If you have any financial accounts in a foreign country, please talk to us. You may be required to file some NEW special tax forms with the IRS. There are substantial penalties for neglecting to report these foreign accounts.

Charitable Contributions

Contributions to a recognized charitable organization require a written receipt from the charity or a bank record of the donation. No deduction is allowed for contributions of clothing or household items unless the property is in good condition or better. Raffle tickets are not deductible, and if you receive goods or services in exchange for a contribution, the total amount of that contribution must be reduced by the fair market value of the item you received.

Mileage Deduction Information

If you intend to claim mileage deductions for business, medical or charitable expenses please use the form included with this letter. As preparers, we are now required to verify that the taxpayer has written documentation for mileage expenses.

In 2011 the mileage rates changed on July 1. This year you will need to tell us how many miles were driven from January—June and July—December. Please refer to the enclosed mileage form for the mileage rates.

Here is a short list of things you should mail or bring in if you have received them:

- W-2s from employers
- 1099s for interest, dividends, sales of stock, unemployment, state tax refunds, miscellaneous income or cancellation of debt
- NEW Form 1099-K—Merchant card payments
- 1098 for mortgage interest
- 1098-T tuition statement with a printout from the **college of the student's account**. **Please also bring** the costs of books and required supplies.
- K-1s from Partnerships, S corporations, Estates or Trusts
- Property tax statements
- Closing documents from any real estate transactions
- Brokerage statements *Please note:* if you sold any stocks in 2011 we will need the date of purchase and original price paid for each stock.
- Any correspondence received from the IRS or from state taxing agencies

IRS E-Filing Requirements

All tax preparation firms like ours are required to electronically file all federal income tax returns for individuals, trusts, and estates. Our clients who do not want to have their returns electronically filed can elect out of this process by signing an appropriate form. If this is important to you, please let us know. Electronically-processed returns have a higher accuracy rate, yield quicker refunds when due and save money.

Visit Silver Creek Financial Services on the web at www.silvercreekteam.com where you'll find links to useful forms and web sites, as well as information on our various services and office hours.

Required Tax Advice Disclosure

Not for penalty protection: As required by United States Treasury Regulations (Circular 230), you should be aware that this communication is not intended to be used, and it cannot be used, for the purpose of avoiding penalties under United States federal tax laws.

The information in this newsletter is general in nature and is not intended as legal, tax or investment advice. It should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all the relevant facts.

Privacy Act Notice

Under the Gramm-Leach-Bliley Act of 1999, tax advisors and accountants (among others) are required to notify their individual customers of their privacy policies. We do not share nor disclose **any information about any of our customer's nonpublic personal information to any non-affiliated** third parties without prior consent. In other words, we do not sell any of your information to anyone. This applies to existing clients as well as former clients. We collect only the information that is required to prepare a complete and accurate income tax return for our income tax clients, or a complete and accurate set of books for our accounting clients. We maintain appropriate physical, electronic, and procedural safeguards to protect the security and confidentiality of your nonpublic personal information. We educate our employees about the terms of this notice and the importance of customer privacy. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide the service you have requested. YOUR PRIVACY IS IMPORTANT TO US!