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Dear Clients,

Tax season is almost upon us and we are looking forward to working with you once again. Congress has been busy with lots of tax changes, and we've highlighted the major ones in this newsletter.

Our team this year will once again be Shannon "Cissy" Shelton, Melissa Wight, Stanlynn Daugherty, Lisa Mathias, Tracy Frei and myself. We are pleased to welcome Jenny Peppers as our newest team member. Jenny has the momentous task of greeting clients, making appointments and keeping the office running smoothly.

We are enclosing an update form and a privacy notice for all our clients with this letter. Please help us ensure your information is correct by filling it out and returning it to us. If you use an organizer, we have provided that as well. If you wish to use an organizer and one is NOT enclosed, please call us and we will get one to you. Some of our clients are also receiving their organizers through email.

Our expanded tax season hours begin on Monday, January 24, 2011. We will be open Monday through Friday, 8:00am to 6:00pm, and Saturday 10:00am to 4:00pm. We are closed from noon to 1:00pm each day for a lunch break. If possible, please make an appointment by calling our front office staff at (541) 569-2272. This ensures one of us will be available to meet with you, thus giving you the best possible service. See You Soon!!!!

Cathy & Crew



Last Minute Legislation Extends Tax Cuts

Highlights of the 2010 Tax Relief Act include the following items which will be in effect through December 31, 2012:

- Existing tax brackets – 10, 15, 25, 28, 33 and 35 percent – are retained. This extends the significant tax savings we have been enjoying for several years.
- Capital gains and qualified dividends tax rates remain at 0% for those in the lower tax brackets and 15% for all others.
- Earned Income Credit and related rules stay the same.
- Child Tax Credit remains at \$1,000 per qualifying child. Prior to this act, the credit was scheduled to **return to \$500. This credit continues to reach it's** maximum level with three qualifying children. There have been slight changes made to the refundable portion of this credit.
- Child Care Credit for up to \$3,000 of daycare costs (\$6,000 for more than one child) was extended. This was slated to return to earlier, lower levels.
- The American Opportunity Tax Credit for higher education expenses that was introduced last year remains in effect.
- Student Loan Interest deductions and limits stay the same.

Some items in the bill are in effect only through the end of 2011. They include:

- For 2011 a 2% payroll tax cut will replace the Making Work Pay Credit that ended in 2010 for employees. This cut applies to all wages under \$106,800. Self-employed taxpayers also receive a 2% reduction in their self-employment tax.
- The Alternative Minimum Tax rates were adjusted to avoid additional tax for many taxpayers.
- The State and Local Sales Tax deduction is available for those who itemize. The taxpayer must choose between this deduction and any state income tax deductions.

- **The teacher's classroom expense deduction** was extended.
- The tuition and fees deduction is available.
- The deduction for Mortgage Insurance Premiums (PMI) is extended for only one year, with limitations.

Business Benefits:

Bonus depreciation increases to 100% for certain new qualified property purchases made after September 8, 2010 and before January 1, 2012. It will be available at 50% for other qualified property placed in service after December 31, 2011, and before January 1, 2013.

Expiring Items

Unemployment benefits are now fully taxable.

The deduction for real estate taxes in addition to the standard deduction is no longer allowed. However, it is still allowed as an itemized deduction.

Delayed Tax Filing

With the lateness of the 2010 Tax Relief Act, the IRS needs more time to reset their computers. Those taxpayers who itemize deductions, have the tuition deduction (not those with the education credits) or **utilize the teacher's classroom expense deduction** will not be able to file their income tax returns until mid to late February. The IRS has promised us a definite date in the near future.

Energy Credits

2010 is the last year for claiming the 30% credit on certain energy efficient property. The maximum amount of the credit is \$1,500, including any amount taken on your 2009 tax return. 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 appliances purchased in 2010. Details on those credits are online at:

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

The 2010 Tax Relief Act includes energy credits for 2011 similar to the 2007 credit which is 10% of qualified expenditures for a maximum credit of \$500.

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

2010 Homebuyers Credit

If you purchased a new home prior to September 30, 2010, which was under a binding agreement by April 30 **you may qualify for a homebuyer's credit.** Members of the military may be eligible for a one-year extension of these deadlines. Please contact our office if you have questions about this credit.

2008 First-Time Homebuyers Credit

Taxpayers who claimed the original first-time homebuyer credit of up to \$7,500 on their 2008 tax return must begin paying back 1/15th of the loan on their 2010 return.

IRA Contribution Information for 2010

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, 2011 for tax year 2010.

Federal Standard Deduction Rates

2010 Base Standard	If over 65 or blind add
Single/Married Filing Separately - \$5,700	\$1,400
Married Filing Jointly - \$11,400	\$1,100
Head of Household - \$8,400	\$1,400

Reporting Payments on Form 1099

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. The IRS has recently increased enforcement of this requirement and begun assessing penalties of up to \$100 per late-filed form. If you are a business owner 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.

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.

For 2010 the mileage rates are 50 cents/mile for business, 16.5 cents/mile for medical or moving, and 14 cents/mile for charitable.

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
- 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 2010 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

New IRS E-Filing Requirements

Beginning January 1, 2011, the IRS is requiring most businesses pay their employment taxes using the online EFTPS system. All tax preparation firms like ours must 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!