

ROBERT A NEIMAN

CERTIFIED PUBLIC ACCOUNTANT

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Tax filing time is again upon us. Please send me your income tax information as soon as possible this year. Even though you may be missing some information, I can still input what you send and fill in the missing items later. Some items to be aware of this year are:

ORGANIZING YOUR TAX INFORMATION

Please mail the following items: original W-2's (keep copies for yourself), copies of all K-1's, 1099's, mortgage interest deduction papers, escrow (closing or settlement) statements on real estate purchases or sales, year end brokerage statements for stock, bond, and mutual fund investments, and non-cash contribution receipts. Use your 2001 tax return as a guide as you organize your 2003 information. Tax return processing time and your cost for preparation will be minimized if you have all your information well summarized on several sheets of paper. Please plan on having all your information to me by March 20th to enable me to complete your return by April 15th.

PAY YOUR LAST STATE INCOME TAX ESTIMATE IN DECEMBER?

If you live in a state with a state income tax, consider paying your fourth quarter state estimated tax payment in December to get a deduction on this year's federal income tax return.

CHILDREN'S SOCIAL SECURITY NUMBERS

All children claimed as dependents on your tax return will be required to have a social security number. To obtain a number, file Form SS-5 with a local social security office. Please allow plenty of time. The IRS can assess penalties for failure to provide a dependent's number on your tax return.

SOCIAL SECURITY RATE AND BASE AMOUNTS

The social security rate remains at 6.2% for both employer and employee for 2004 while the taxable wage base increases to \$87,900. The self-employment social security tax rate remains

at 12.4% with ½ of the tax being deductible. The medicare tax of 1.45% for employees and 2.9% for self employed persons remains taxable on all wages.

AUTO SUBSTANTIATION RULES

In order to substantiate business use of autos it is necessary to keep a mileage log showing: number of miles driven, date, destination and business purpose of your trip. You must also keep track of all auto expenses as your deduction will be based on the business use percentage (from the log) multiplied by your total auto expenses for the vehicle. For vehicles used less than 50% for business, and "luxury autos", depreciation and lease deductions are limited. The alternative standard mileage rates are 36 cents per mile for 2003 and 37.5 cents per mile for 2004.

ENTERTAINMENT DEDUCTION AND SUBSTANTIATION

In order to deduct meals and entertainment for business, you must adequately substantiate the expense. It must first be an ordinary and necessary business expense and must not be lavish or extravagant. Information that must be kept to substantiate the expenditure includes: date, place, person(s) entertained and business purpose of the entertainment. The substantiation requirement can be satisfied by recording the information on the receipt or in a journal. However, you must save the receipt for any expense over \$75. Currently, only 50% of meal and entertainment costs are deductible. Therefore a separate account should be maintained for business meals and entertainment expenses.

BUSINESS GIFTS

Business gifts up to \$25.00 per recipient per year are deductible. Amounts in excess of the \$25.00 are not deductible. Records should be kept on who was given gifts and the business purpose.

CHARITABLE CONTRIBUTIONS SUBSTANTIATION

All contributions of \$250 or more must be substantiated by a contemporaneous written acknowledgement from the donee organization.

INDIVIDUAL RETIREMENT ACCOUNTS

Individuals can contribute to Roth IRA's and Education IRA's (for their children) depending on their income. No deduction is allowed. However, the income grows tax-free until it is withdrawn. Anyone who is eligible to contribute to a Roth or Education IRA should do so prior to April 15, 2004.

I am always looking for additional personal and business clients and greatly appreciate your referrals. If you have any questions or would like more information on any of the above items, please feel free to call.

Yours truly,
Bob Neiman