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Newsletter – Summer 2011

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### **The, It is so late it is not even close to summer newsletter of 2011**

Ok so I am a little late. Ok so I had fun this summer. (a little fun he was gone golfing all summer and is now a 5 handicap, not a 9) Don't you want a well- rested CPA for tax season? I only wish that was the case. This has been quite a year. Since this is my first newsletter since tax season I want to thank all of you for the enormous amount of support and prayers we got from you over the tragic death of our nephew. It happened right in the middle of tax season at our busiest time and where we have the hardest time keeping up with the work. This threw us hopelessly behind and it did not go unnoticed of all of you that called or stopped by telling us not to worry and that if we needed to file an extension that was ok with you. In a very stressful time and you have no idea how much this helped. Again a huge Thank you from Dorothy and I.

### **But that is not all**

You are going to most likely hear this again 10 times over but we moved. During last January we saw the pink flags around the property of our old office and one of our clients saw the same thing and he said "bet you are going to hear the bank took over the building"-yep that is exactly what happened. While that was not bad, what happened after that was. We saw the management of the building drop off. The cleaning of the bathroom was spotty, cobwebs were forming in the hallways and lights were out all over the place. Then we tried to negotiate a new lease and the price they were asking was well above what the market had become. It became obvious we had to move, so we did BUT we originally moved into a different location than where we are now. Well-I asked the landlord the square footage because it did seem small. I was told the sq. ft. was even bigger then what we came out of. What we didn't know is the landlord mistakenly used the original space's sq footage which, was subdivided to accommodate another tenant and the actual space that we had was only 2/3 of what he said. This would have been fine if we stacked the desks on top of each other and had you sit on the file cabinets. Now he did relocate us at the same rent to a space that is the size of what he quoted us on the first space and he did move us but it was a hassle. Also our FORMER phone company promised that by forwarding the phones, we would not experience the blackout we did the last time we moved. LIARS, the phone went into oblivion and what was worse is because we had 2 moves in 5 days they couldn't even tell me where the phones were or when we would be reconnected. And of course they were billing me for all this time and for the transfer that nobody could find. Bye bye old phone company. (No the old co. was not AT&T as a matter of fact an AT&T technician came out to tell me so I could tell the new phone company where our lines were at, I thought that was definitely above and beyond since neither the old or new phone co. were AT&T). Anyway if you got a strange message when you called us in July-well that is why. We also were without Internet but at least Comcast told us we would be and I still had Internet at home. It was very inconvenient but at least I could communicate.

The office is only now getting into shape after our difficult 2011 and our new address is:

527 Illinois Ave  
St. Charles, IL 60174

Corner of 6th Ave and Illinois, Illinois is somewhat a main drag that runs thru town just a block south of Rt. 64-Main St. and Avenues mean were we are East of the river. Don't get confused because Illinois St. is west of the river (same road) and there is nothing there but houses. Well now what about taxes!

### **Free at last Free at last Thank God Almighty Free at last**

If you remember from my 2010 newsletters, I was complaining bitterly about the new proposed reporting requirement for 1099's where just about everyone in a business had to send a 1099 to anyone or a corporation for anything that came to more than \$600.00 for the year. This change also included landlords as this new law changed landlords to be classified as a business and therefore subject to these new rules. Well all of the rotten eggs thrown at the IRS officers around the country worked. This act was repealed and signed by the President on 4/21/11. Darn---boy was I going to cash in on higher fees for all the extra work I was going to do! Now the old law is still in effect and that means-if you pay any non-corporate entity for goods and most likely services over \$600 per year, you still need to get the name, address and social security # and we need to do 1099's. Also landlords are again exempt from these rules.

### **I've got the Irene blues**

With all the horrible weather we have had in 2011, ½ of our states have active and on going federal disaster declarations. If you are in one of these states you can and will get tax breaks. Illinois is on that list but all of the counties are outside our area. The one county in Illinois I can't believe is not on the list because of the storm in July they had is Jo Daviess. With what they went thru in July what do you need to be a disaster area? But other places where we have clients residing or clients have property interest are New York, North Carolina, Texas, Georgia, Missouri, Nebraska and Pennsylvania. If you are in a disaster area please let me know.

### **New Life of age-old questions**

I have recently upgraded my tax support software. That is the software I look at to answer all of your questions. And you thought I was just a genius. Part of the upgrades are, some great in-depth analysis of questions I have been asked on multiple occasions. Questions like, what is the best way to get my parents personal residence out of their estate? The answer is a QPRT or qualified personal residence- trust and with today's depressed housing market this is a better tool than ever to use. Or which is better to use a ROTH or regular IRA? Or what does marriage do to my taxes? And what if I marry someone who is not a US citizen? You can make an appt. and we can sit down and discuss these and other topics or I can just forward the article to you. Just let me know.

### **Deadline is nearing**

Last year I wrote about the strange estate tax year for 2010. Also how the law actually had some requirements for filing. I encourage everyone again that had a loved one that passed in 2010 that could be affected by those rules to contact me. As of now no one has called. I am not sure because there was nobody that fell into this category or they were properly set up with their estate and did not need any assistance ,OR just got so confused by all of this garbage coming from everyone including the IRS and just decided to put their heads in the sand. The form that may need to be filed is

8939. I am getting conflicting dates on the filing deadline. It was 11/15/11 and I have information that got extended to 1/17/12 but I can't find verification of that. Either way that clock is ticking.

### **Last chance for Charity**

This could be the last chance for those over 70 ½ with large amounts in an IRA to donate up to \$100,000 to a qualified charity and not get taxed on the distribution. This unique opportunity ends 12/31/11. There are some cautions here and that most likely will come into play if the IRA has a fair amount of non-deductible contributions as part of it. Outside of that if you want to lower your IRA for estate purposes and you want to donate to charity-this is the way to do it.

### **And the other side of the coin**

The IRS has always very closely scrutinized any large tax breaks. Those of you that got the homebuyer credit know what hoops you had to go thru. One if the longest-lived and most generous tax credit has been Earned Income Tax Credit (EIC). This credit is available for lower income taxpayers and increases if you have kids. Well in the spirit of the IRS believing we are all trying to cheat on our taxes, a new form has to be filed to claim the credit. This form is simply a legal declaration on your part that you are not lying to me and you qualify for the credit. In my opinion this is just what people who get this credit don't need- more complex work to claim it.

I haven't done this in a while so I thought it might be a good time to revisit this old staple of the newsletter. Here are some bullet points of what you may want to do for year-end taxes.

- If you are in a HSA you can maximize your deductions in December and get credit for 2011. Also now may be the time to increase your FSA if your deductible was too low for 2011.
- Now is the time to sell off your loses in stock portfolio to wipe out any gains you have to get the \$3000 deduction. Just never let the tax tail wag the business dog. All your moves need to make good business sense and if you really like the stock-you must wait 31 days to buy it back.
- Now is the time to push income into 2012 and accelerate deductions into 2011. This works well for both individuals and businesses. Deferring bonuses into 2012 now may be a good idea.
- If you have expenses like medical bills but don't have the cash- consider using a credit card so we can get the deduction in 2011. This goes hand in hand in what we call bunching deductions. Since certain deductions are limited (like medical) bunching them all in one year could get you a deduction where spreading them out between 2 years will not.
- Also what goes with the above is this is the last year for the sales tax deduction. It is scheduled to expire on 12/31/11. So buying the big-ticket items now may give you the deduction where as far as we know now will get you nothing in 2012.
- Other things expiring 12/31/11 are energy credit and part of the education deduction. Now congress may extend this, but as of right now they are scheduled to be gone.
- Also don't forget those required to take a distribution from their IRA. This needs to be done before the end of the year. Also if you are on a gifting program don't forget to use your \$13,000 exclusion for 2011.
- For business the higher limits for writing off big assets purchases are still in place. If you are in need for a major purchase do it before 12/31/11 and don't forget your contribution to your retirement plans.

### **Give with one hand and take with another**

Poor Albert Campbell (it is public record so I am not disclosing anything I shouldn't) he got a very large payout from the government for being a whistle blower. The IRS has in place rather large reward systems so if you squeal on your fellow man-they will pay you to do so. Well Albert thought how could a payment by the government be taxable- well it was. Not only that but all of his attorney fees were not deductible so he got taxed on more than he got And he got hit with a whole bunch of penalties because he didn't report it. Albert-they ARE going to know about it. After all they are the ones that paid you and they really are not that dumb. You can't hide and now don't you wish you kept your mouth shut.

### **A slap on wrist brings joy to Mudville tonight**

A very aggressive IRS revenue officer was auditing one of us little defenseless taxpayers and this guy was really going to hit this poor little guy with the big guns. The officer (higher in pay grade than your average auditor) was going after the contents of poor Mr. Defenseless taxpayer private emails. Guess what-he got his hand slapped and told no, no, no. This was actually done by the Chief Counsel of the IRS. But all is not over yet. The reason the Chief Counsel pulled this before it got to court is the IRS wants to make sure it doesn't violate the Stored Communications Act. In other words they are trying to bend the law so they can do just what this officer was trying to do-get your emails. Wait is that the sound of 140,000,000 taxpayers hitting the delete button?

Since this was sort of late you will be getting an update in a couple of weeks. See you then  
Tom and Dorothy