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Dear Reader,

Happy New Year! Tax Returns for 2011 have barely begun but it is not too early to start thinking about tax planning strategies for 2012! We have included some highlights in this newsletter along with other helpful information you don't want to miss!

- Tax Benefits
- 7 Tips About IRS Notices
- Legal Requirements - Social Security Number
- Retirement Planning
- Why Value a Business
- Our Partners & Staff
- Invest More
- Website Make-over

Don't forget to refer Sipes & Seaton to family and friends!


Bill Sipes,
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EA

Tax Benefits for 2011

Education:

To assist taxpayers with the ever-increasing costs of higher education, there are a variety of tax advantages available. For the 2011 tax year, there are two tax credits (reduce the amount of tax owed) available, the American Opportunity Credit, and the Lifetime Learning Credit. In addition, some taxpayers may be able to deduct tuition and fees (to reduce the amount of taxable income).

Savings Plans:

Section 529 of the IRS Code allows taxpayers to prepay or contribute to certain specified savings accounts to pay for a student's qualified higher education expenses. Distributions from 529 plans are tax-free if they are used to pay for qualified higher education expenses including tuition, required fees, books and supplies. If the designated student attends school at least half-time, room and board expenses also qualify. These plans offer significant flexibility if a student's education plans change - be sure to discuss these options with your tax professional. Coverdell Education Savings Accounts were also created to incentivize both parents and students to pay for both primary and secondary education. Total contributions for the beneficiary of a Coverdell Education Savings Account cannot be more than \$2,000 in any year, no matter how many accounts have been established so it is important that all contributors to these accounts for a child communicate with one another. Contributions to a Coverdell Education Savings Account are not deductible. However, the principal grows tax-free until distributed. When distributed, the beneficiary is not required to pay tax on these funds provided the amount distributed is less than the qualified education expenses incurred in the year distribution occurs.

If you have any questions regarding these tax benefits, please call us today!

Source: Howard J. Schneider, CPA

7 Tips About IRS Notices

By Laura Tallent; 1/1/11

The Internal Revenue Service sends out millions of letters and notices to taxpayers every tax year. That doesn't mean taxpayers should be alarmed. Here are seven tips about dealing with an IRS notice, if one should arrive in your mailbox. Don't panic. Many of these letters can be dealt with simply and painlessly.

1. There are a number of reasons the IRS sends notices to taxpayers. The notice may request payment of taxes, notify you of a change to your account or request additional information. The notice you receive normally covers a very specific issue about your account or tax return. Never assume that because the notice came from IRS that it is correct. Most of the time they are not.
2. Each letter and notice offers specific instructions on what you need to do to satisfy the inquiry.
3. If you receive a correction notice, you should review the correspondence and compare it with the information on your return.
4. If you agree with the correction to your account, usually no reply is necessary unless a payment is due.
5. If you do not agree with the correction the IRS made, it is important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice. Mail the information to the IRS address shown in the lower left part of the notice. Allow at least 30 days for a response.
6. Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the telephone number in the upper right hand corner of the notice. Have a copy of your tax return and the correspondence available when you call.
7. It's important that you keep copies of any correspondence with your tax records.

Legal Requirements to Provide Your SSN

Source: Social Security Administration
10/20/2011

Must I provide a Social Security Number (SSN) to any business or government agency that asks? The SSN was originally devised to keep an accurate record of each individual's earnings, and to subsequently monitor benefits paid under the Social Security program. However, use of the Social Security number as a general identifier has grown to the point where it is the most commonly used and convenient identifier for all types of record-keeping systems in the United States.

Specific laws require a person to provide his or her SSN for certain purposes. While we cannot give you a comprehensive list of all situations where an SSN might be required or requested, an SSN is required or requested by the following organizations:

- Internal Revenue Service for tax returns and federal loans;
- Employers for wage and tax reporting purposes;
- Banks for monetary transactions;
- Department of Education for Student Loans;
- States to administer any tax, general public assistance, motor vehicle or driver's license law within its Jurisdiction;
- States for commercial drivers' licenses.

The Privacy Act regulates the use of SSNs by government agencies. If a business or other enterprise asks you for your SSN, you can refuse to give it. However, that may mean doing without the purchase or service for which your number was requested. For example, utility companies and other services ask for an SSN, but do not need it; they can do a credit check or identify the person in their records by alternative means. Giving your SSN is voluntary, even when you are asked for the number directly. If requested, you should ask why your SSN is needed, how your number will be used, what law requires you to give your number and what the consequences are if you refuse. The answers to these questions can help you decide if you want to give your Social Security number. The decision is yours.

Frequently Asked Questions Regarding Retirement Planning

Can I contribute to a traditional or Roth IRA if I'm covered by a retirement plan at work?

Traditional IRAs

Yes, you can contribute to a traditional IRA even if you participate in an employer-sponsored retirement plan. For 2011 and 2012, you can contribute up to \$5,000 annually (\$6,000 if you are 50 or older by the end of the year). However, if you or your spouse is covered by an employer retirement plan, this will affect how much, if any, of your contribution is tax-deductible.

Roth IRAs

You can also contribute to a Roth IRA even if you participate in an employer-sponsored retirement plan. You can contribute up to \$5,000 (\$6,000 if you are 50 or older by the end of the year), but the amount you can contribute may be reduced or even eliminated depending on your modified adjusted gross income (MAGI) and your filing status. For example, for 2011, you can make the maximum contribution to a Roth IRA if your filing status is married filing jointly and your MAGI is under \$169,000, assuming you have at least \$5,000 (\$6,000) in earned income for the year. You cannot make a Roth IRA contribution for 2011 if your MAGI is \$179,000 or more (\$183,000 for 2012).

Contributing to both traditional and Roth IRAs

There is no limit on the number of Roth IRAs and traditional IRAs you can own; however, your combined annual contributions to all of them cannot exceed the maximum annual contribution limit (\$5,000; \$6,000 if 50 or older).

If you are in a SEP or SIMPLE IRA plan

The rules above also apply if you're covered by a SEP or SIMPLE IRA plan at work. A Roth IRA cannot be used to hold contributions made under these plans, but in most cases you can make a regular traditional IRA contribution (\$5,000/\$6,000) to your SEP IRA.

Source: www.irs.gov



Why Value A Going Business?

This "handle on value" may be needed for any number of reasons, but the following list covers at least some of the more popular ones:

- Contemplated sale of the business*
- Mergers & acquisitions*
- Adding or withdrawing partners or shareholders*
- Buy-sell agreements*
- ESOPs*
- Estate and/or financial exit planning*
- Insurance or other economic losses*
- Re-capitalization of the business*
- Arranging funding for expansion*
- Marital dissolution (Divorce)*
- Determination of loan value*
- Purchase of business from family estate*



To put it simply, when you own a business, the whole process of deciding "to add, to change, to buy or to sell," best begins with a professional business valuation to determine the "real world" market value of the business at a given point in time. And when the business has been valued properly, everybody wins. Call Bill today to set up your Business Valuation!

MEET OUR PARTNERS & STAFF!



William H. Sipes, Jr., CPA/ABV/CFF, ASA, CBA, BVAL, ABAR

Mr. Sipes is a widely recognized expert, author and editor who practices in the areas of family and closely-held business, limited partnerships and professional practices. He has appraised controlling and minority interests in many types of businesses including medical and optometry practices, retail, wholesale, distribution, manufacturing, and technology. In addition to being an accredited Business Appraiser, Mr. Sipes offers his clients an in-depth understanding of the financial and tax aspects of a transaction.



Stacy Seaton, EA

Stacy Seaton joined the Sipes & Seaton team in 1998 as an intern and became the operations managing partner in 2002. She provides accounting, payroll, business consulting, QuickBooks, IRS issue resolution, and taxation services. Her focus is in the area of taxation of individuals and small business. She provides clients with knowledge of tax law for the benefit of their small business. As well as representation of taxpayers for matters concerning taxes with the IRS and state tax departments for personal and business tax audits or collection issues.

Just like the famous Supreme Court Justice Learned Hand said, “Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one's taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands.” Stacy works hard to keep our clients tax burden as low as possible. Stacy continually receives training and education to keep abreast of the continually changing business environment and changes in the tax laws, both at the federal and state level by attending a variety of tax conferences and updates each year. She has attended:

- AICPA-University of Illinois National Tax Education Program- Level V
- PPCs Conference on Tax Planning For High Income Clients in La Jolla, CA
- AICPA Small Business Practitioners’ Tax Conference in Coral Gable, FL
- TSCPA Annual Federal Tax Update in Memphis, TN

...and many more.



Chancellor S. Fortenberry, EA

Chance is a Senior Accountant and Supervisor of IT at Sipes and Seaton CPA with the responsibility for various clients’ taxes, bookkeeping, and software advisement. He is tasked with meeting our clients’ needs and wants regarding their accounts with us. In 2010 he took the Enrolled Agent Examination and was enrolled to represent taxpayers before the Internal Revenue Service and designated as a registered tax return preparer by the Internal Revenue Service. Prior to joining Sipes and Seaton CPA, Chance worked as a staff accountant at John Mark King, CPA in Grenada, MS for 2 years. His Education background started at Mississippi College in Clinton, MS then he graduated with a Bachelors of Science degree in Accounting from Mississippi University for Women in Columbus, MS. Their slogan is “We accept smart men too”.



Scott Metcalf

Scott is a staff accountant at Sipes & Seaton CPA, where he has various accounting, payroll and write-up duties as well as business valuation analysis. He began his career at Sipes & Seaton CPA as an intern in May of 2010 and was hired full-time after graduating from Lambuth University. There he was a member of the golf team and graduated with a Bachelors of Business Administration degree in Accounting in June of 2011. He is fluent in Microsoft Excel and Word, Quickbooks, and Creative Solutions Accounting software.



Alisha Lee

Alisha joined Sipes & Seaton as an Administrative Assistant in May 2007. She provides general administrative support with all day to day operations. Alisha holds an A.A.S from Jackson State Community College and is currently working on completing her B.S in Organizational Leadership from Union University. She resides in Madison County with her son, Nick.

Get Paid to Keep Your Investing Resolutions: Invest More

By Chuck Saletta
January 4, 2012



Don't let it get away!

The new year is the traditional time to make resolutions on things we'd like to do better. And unless you're one of Warren Buffett's super investors and have already mastered the stock market, you may find that you have room for a resolution or two for improving your investment strategy.

Unfortunately, resolutions are notoriously hard to keep. If they weren't, we'd all be rich, thin, non-smoking marathon racers. But what if there were a way to *get paid* to keep your resolutions? Wouldn't that help motivate you, at least a little bit?

Fortunately, there often *are* ways to get paid from your investments, regardless of whether you're resolving to improve your ability to buy, sell, hold, or sock away more.

How is that possible?

It's possible -- very possible, in fact -- if you've got a traditional 401(k) or 403(b) retirement plan at work and you aren't yet contributing the maximum allowed. And since the maximum *just* increased on Jan. 1 to \$17,000 per year (plus an additional \$5,500 "catch-up" for those 50 and older), chances are you've now got room to raise your contribution, even if you were at the maximum before.

Every dollar you put away in one of those plans is tax deferred. In essence, if you're in the 25% federal tax bracket, you get \$25 back in the form of a lower federal tax bite for every \$100 you contribute. Your state may also give you a break on its income taxes, too. Add to that the potential of an employer match, and you could essentially double your money, just by contributing more to the plan. That's one heck of a payday -- and some proper encouragement to keep your resolution to invest more.

Even if you don't get a match, traditional 401(k) or 403(b) investors get a tax break when contributing, tax-deferred compounding, and the simplicity of investing directly from their paychecks. Those benefits make those plans easy and smart places to start when looking to keep your resolution to invest more.



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Sipes & Seaton is a CPA firm that uses strong relationships and leadership to assist our clients in determining their vision of the future and to creatively assist them to locate a clear path to attain that future, which would include protecting assets, minimizing taxes and building wealth. Sipes & Seaton provides a wide range of accounting services to Jackson, TN and the West Tennessee area.

- Tax Planning and Preparation
- Monthly Bookkeeping
- Business Software Consulting
 - Business Appraisal
 - Litigation Support
- Investment, Financial, and Retirement Planning*
 - Arbitration
 - Asset Management

Serving West Tennessee for more than 30 years.

Website Make-Over!!!

Check us out on the web!

We are changing our look!

We have updated our site and it is **LOOKING GOOD!**

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