

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

349 RUIN CREEK ROAD
HENDERSON, N.C. 27536

252-438-8154
800-356-7674

CLIENT BULLETIN – DECEMBER, 2008

Dear Client,

Well, 2008 will certainly go down in the record books. For those with investments and/or retirement accounts in the stock market, it has been most unpleasant. Unfortunately the uncertainty continues and it looks like it may take a while to dig out of the hole. In the meantime, we all are looking for ways to lessen the pain. One way is to take advantage of any tax savings available.

If you do have losses in the stock market in non-retirement accounts, consider selling some of your losers to offset any realized gains you have. You can also use up to \$3,000 in long-term capital losses to offset other types of income. Any losses in excess of \$3,000 can be carried forward to future years. Do remember that only realized losses produce tax advantages so you must actually sell the stock at a loss or it must become totally worthless in order to recognize a loss. A loss in market value for a stock you still own is not recognized for tax purposes. Also, losses in tax-deferred accounts, such as IRAs and 401K accounts, do not produce immediate tax savings. It may be a good time to talk to your broker about any year-end moves you need to make.

Congress has also restored the provision that allows you to donate your distribution from your IRA account to charity and avoid being taxed on it if you are at least 70 ½. The transfer, which can be up to \$100,000, must go directly from your IRA to the charity. This is especially advantageous if you are not itemizing your deductions and would otherwise not realize a tax deduction for the contribution.

If you have stocks that have appreciated (their value is greater than their basis), you might consider gifting those to charity. You can take a tax deduction for the full fair market value of the stock and avoid paying tax on the appreciation. This is one of the few situations where true tax avoidance is possible. If, on the other hand, you are thinking about gifting a stock whose market value is less than your basis, you should sell the stock first and then gift the cash so that you can take advantage of the tax loss.

For those of you in a trade or business, there is a special 50% bonus depreciation provision that allows you to expense 50% of the cost of a new asset in the first year. This is in addition to regular depreciation amounts to which you would be entitled and also in addition the any Section 179 expense you could take. This special provision expires at the end of 2008 and is not applicable to used property.

We are ready to help you with your year-end tax planning to achieve maximum benefit. If you have any questions about year-end planning or would like to make an appointment, please give us a call.

Our offices will close on Tuesday, December 23 and re-open on Monday, December 29th for Christmas. We will also be closed on Thursday and Friday, January 1st and 2nd for the New Year's holiday.

We always take this opportunity to express our sincere appreciation for the opportunity to work with you during the past year. Our clients are the reason for the existence of our firm and we truly appreciate your business. We extend our sincere wishes for a joyous holiday season.

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.