LAST-MINUTE TAX-PLANNING TIPS AND TAX PLANNING OUTLOOK FOR 2012
Diane M. Pearson, CFP®, PPC™, CDFA™

- Diane M. Pearson, CFP®, PPC™, CDFA™ is an Advisor and Shareholder with Legend Financial Advisors, Inc.® She has over 20 years experience in the financial advisory profession.

- Diane has been selected three times by Worth magazine as one of “The Top 250 Wealth Advisors” in the country.

- Diane is one of the first financial advisors in the country to earn the Professional Plan Consultants™ (PPC™) designation, recognizing her commitment to education and service excellence in the qualified retirement planning industry.

- She has also been awarded the Certified Divorce Financial Analyst™ (CDFA™) professional designation. As a CDFA™, she is qualified to serve as a financial expert on divorce cases, present data to support an argument, and educate clients on the short- and long-term financial implications of different divorce settlement proposals.

- Diane is a member of The National Association of Women Business Owners (NAWBO), where she is the Finance Director for the Pittsburgh Chapter. She has also been selected as the Pittsburgh Chapter of NAWBO’s “Woman Business Owner of the Year” for 2004 as well as the "Woman Business Professional Associate of the Year" for 2007.

- Diane has also authored a landmark article entitled “Pre-59½ Distributions—Careful Analysis Is Required”, regarding retirement distribution planning. She has also been a frequent guest speaker on various radio and Web site broadcasts.

- Diane is a frequent guest featured on Pittsburgh Business Radio (WMNY 1360 AM) and for their "Women Mean Business" show discussing headlines in the region about issues impacting women in business.
James J. Holtzman, CFP®, CPA

- James J. Holtzman, CFP®, CPA is an Advisor and Shareholder with Legend Financial Advisors, Inc.® (Legend)
- Jim has been selected two consecutive times by Medical Economics as one of “The 150 Best Financial Advisors for Doctors in America.”
- Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.
- Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses.

- Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.
- Jim is a member of the Pennsylvania and American Institute of Certified Public Accountants. He is also a graduate of the Pittsburgh Leadership Development Initiative, which provides young leaders with the tools necessary to affect positive change in the Pittsburgh region, and Pittsburgh Leadership Onboard Programs.
- Jim also serves on the LaRoche College Board of Governors, is a member of Pittsburgh Cares, and is a former member of the Finance Committee for the Pittsburgh Downtown Partnership.
RETIREMENT PLAN CONTRIBUTIONS

2011 contributions can be made for the following retirement plans until **APRIL 17, 2012**

- Traditional IRA
- Roth IRA
- SEP IRA
- SIMPLE IRA
- Individual 401(k)
As long as you have enough earned income to support an IRA contribution, you are always eligible to make an IRA contribution.

However, the type of IRA that you can contribute to will depend upon your adjusted gross income from your tax return and whether or not you are eligible to participate in a qualified retirement plan sponsored by your employer during the year.
Roth IRA Recharacterization

If you completed a Roth IRA conversion during 2011 and no longer want the Roth IRA conversion, you may complete a Roth IRA recharacterization up until October 15, 2012. You cannot reconvert back to a Roth IRA in the same tax year as your recharacterization back to a traditional IRA, and you must wait at least 30 days to switch back to a Roth IRA.
If you rolled over or converted part or all of another retirement plan to a Roth IRA in 2010, or made an in-plan rollover to a designated Roth account after September 27, 2010. and did not elect to include the resulting taxable amount in income for 2010, you must report half of that taxable amount on your 2011 return and the other half on your 2012 return.
Pennsylvania allows a deduction of $13,000.00 for single filers and $26,000.00 for joint filers per beneficiary per taxpayers for Section 529 contributions.

The Pennsylvania tax deduction applies for a contribution to any state's Section 529 plan.

If you are resident of another state and contribute to a Section 529 plan, the rules could be different.
We do recommend hiring a CPA to prepare your tax return to save yourself the time and hassle.

A CPA can also provide suggestions to improve your overall income tax situation.

While the accuracy of the tax return software is usually reliable, it is still only going to produce the information that you have entered.

Also, the CPA will be there to address any questions that arise after the tax return is filed or respond to any notice that you might receive from the IRS.

Finally, the costs of a CPA to prepare your tax return are usually not that expensive especially for the peace of mind it provides and the time that it saves you.
You may also deduct the cost of income tax preparation. These are easy to forget because they actually fall under the miscellaneous itemized deductions section of the Schedule A.
April 17, 2012 is the last date that an amended tax return can be filed for the 2009 tax year.
Taxpayers have the option of claiming the greater of state and local income taxes or state and local general sales taxes.

Taxpayers in retirement with low state taxes might benefit more from the sales tax deduction.

Taxpayers with a major purchase in a given year that was subject to sales tax might be able to benefit more by the sales tax deduction.
There is a vast amount of non-reimbursed medical expenses that are eligible for deduction.

IRS Publication 502 provides a comprehensive list.
The IRS provides donation guides in IRS Publication 526 and 561 for non-cash gifts.

Don't forget to review your prior year tax return for a charitable contribution carryover.

This can apply when the prior year tax return had a high amount of charitable deductions and low AGI.
The passage of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, contains the provision for an IRA owner who is at least age 70½ to make a direct charitable contribution of up to $100,000 from his or her IRA, has been extended through the end of 2011.

Such a direct contribution can be used to satisfy the IRA owner’s Required Minimum Distribution.
QUALIFIED CHARITABLE DISTRIBUTION (QCD)

Tax-free treatment of distributions from traditional and Roth IRAs for charitable purposes has been extended through December 31, 2011, with the following special rule. For QCDs made during January 2011, you can elect to have the distribution deemed to have been made on December 31, 2010. If you make this election, the QCD will count toward your 2010 exclusion limit of $100,000, as well as your 2010 minimum required distribution.
MORTGAGE INSURANCE DEDUCTIONS

If you took out a first mortgage or refinanced your mortgage after January 1, 2007, and you are paying for private mortgage insurance (PMI) this expense is deductible.

You would file this information on line 13 of Schedule A.

This information can be obtained from Form 1098 in Box 4.
HEALTH SAVINGS ACCOUNT

The CONTRIBUTION DEADLINE IS APRIL 17, 2012 for tax year 2011.

The contribution limit is the full-year amount and not the pro-rated amount based upon the number of months covered by a high deductible health insurance plan.
If you are self-employed, the health insurance premiums paid on behalf of the family are able to be deducted before AGI as opposed to an itemized deduction which needs to be greater than 7.5% of your AGI.
If you made a 2011 fourth quarter estimated state or local income tax payment after December 31, 2011, remember to deduct this on your 2012 federal tax return.
Don’t forget that the first quarter 2012 federal and state estimated tax payments are due on April 17, 2012.
INVESTMENT RELATED EXPENSES

You may write off any and all:

• Investment publications to which you subscribe
• Financial advisor's annual fees (if paid with taxable funds)
• Mileage for visits to your advisor
• Safe deposit boxes
Any investment that becomes completely worthless during the tax year is treated as though they were sold on the last day of the year.

You need to be completely sure that there are no markets for that particular investment before you write it off on your tax return.
CAPITAL LOSS CARRYOVER

Don't forget to review your prior year tax return to see if this applies.
If your tax return is showing an underpayment penalty, recalculating your tax return under the annualized installment method may reduce or eliminate your penalty.

This allows you to report your income and deductions in the quarter that they occurred so that you can better match your estimated income tax payments with it.
Prepare an income tax projection in order to determine whether or not the AMT will apply in your situation. The higher AMT exemption was passed as part of the tax law bill in December, 2010 and includes tax year 2011.

This additional tax can create a cash flow crunch at tax time because you didn't prepare for it.
CHILD CARE TAX CREDIT

If you paid for child care, including daycare or nanny services, you can use up to $3,000.00 for a single child or up to $6,000.00 to calculate the credit for two or more children under the age of 13.

The amount of the credit that you can receive is in a range between 20% and 35% of the total cost.

This is determined based upon your adjusted gross income.
<table>
<thead>
<tr>
<th>AMERICAN OPPORTUNITY CREDITS</th>
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<tbody>
<tr>
<td><strong>Tax Benefit</strong></td>
</tr>
<tr>
<td>Credit that is 40% refundable.</td>
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<tr>
<td><strong>2011 Annual Limits</strong></td>
</tr>
<tr>
<td>Credit up to $2,500 per student (100% of first $2,000.00 of expenses and 25% of next $2,000.00).</td>
</tr>
<tr>
<td><strong>Qualified Education</strong></td>
</tr>
<tr>
<td>Tuition and fees; books, supplies and Expense (QEE) equipment. Must be for the taxpayer, spouse or dependent.</td>
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<tr>
<td><strong>Qualifying Education</strong></td>
</tr>
<tr>
<td>First four years of undergraduate.</td>
</tr>
<tr>
<td><strong>Other Rules and Requirements</strong></td>
</tr>
<tr>
<td>Must be enrolled at least half-time in a degree program; parents can shift credit to student by not claiming student as dependent.</td>
</tr>
<tr>
<td><strong>2011 Modified AGI Phase-Out For:</strong></td>
</tr>
<tr>
<td>MFJ</td>
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<tr>
<td>$ 160,000 – 180,000</td>
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<tr>
<td>Single, HOH, QW</td>
</tr>
<tr>
<td>80,000 – 90,000</td>
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<tr>
<td>MFS</td>
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<tr>
<td>Do Not Quality</td>
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LIFETIME LEARNING CREDITS

• Tax Benefit  Nonrefundable tax credit.

• 2011 Annual Limits  Credit up to $2,000 per return (20% of up to $10,000.00 of expenses).

• Qualified Education  Tuition and fees; books, supplies and Expense (QEE) equipment. Must be the taxpayer, spouse or dependent.

• Qualifying Education  Undergraduate and Graduate.

• Other Rules and Requirements  Available for unlimited number of years for both degree and non-degree programs; parents can shift credit to student by not claiming student as a dependent.

• 2011 Modified AGI Phase-Out For
  MFJ  $ 102,000 – 122,000
  Single, HOH, QW  51,000 – 61,000
  MFS  Do Not Quality
MILEAGE DEDUCTION

A. Medical care - you can deduct mileage if the drive is primarily for or essential to medical care.
   
   • This includes frequent treatments that you must travel to including physical therapy, regular blood work, or chemo therapy.
   
   • The deduction is 19 cents per mile.

B. Charitable work - for 2011, the mileage rate is 14 cents per mile.
REVISED IRS FORM 1099

- We recommend being patient with the filing of your 2011 tax return due to possible IRS Form 1099-DIV revisions.

- It is estimated that one in eight IRS 1099-DIV Forms will need to be reissued.

- One of the primary reasons for the revisions are the mistakes that are made by the mutual fund companies in reporting dividends as qualified or non-qualified.

- The mutual fund companies were required to send out the forms by February 28, 2012 and some of the underlying stocks that are held are late in providing the appropriate classification.
SOCIAL SECURITY TAX WITHHOLDING

• If you changed jobs during 2011, make sure that your social security withholding does not exceed the 2011 maximum social security tax withholding amount of $4,485.60 ($106,800 x 4.20%).

• The excess amount of social security tax withholding can be claimed as a credit on your 2011 federal tax return.
NEW FORM: IRS FORM 8949

There is a new form called the IRS Form 8949, Sales and Disposition of Capital Assets, which will be used to report all capital gains and losses in taxable accounts. The Schedule D will serve more as a summary sheet.
NEW FORM: IRS FORM 8938

There is a new form called the IRS Form 8938, Statement of Foreign Financial Assets. The Form 8939 is used to report the ownership of specific foreign financial assets if the total value exceeds a certain threshold. The threshold amount depends on if the individual resides in the U.S. and if the tax return is filed jointly with a spouse.
THE FOLLOWING TAX LAWS HAVE EXPIRED AT THE END OF 2011

a. The AMT exemption has decreased.

b. The Qualified Charitable Distribution.

c. The state sales tax deduction.
THE FOLLOWING TAX LAWS WILL EXPIRE AT THE END OF 2012

a. The payroll tax cut of two percentage points.

b. The top ordinary income tax rate of 35%.

c. The long-term capital gains tax rate will be replaced with a long-term capital gain tax rate of 20.0%.

d. The qualified dividends tax rate of 15% will go back to ordinary income tax rates.

e. The American Opportunity Education Credit will expire.
THE FOLLOWING TAX LAWS ARE NEW FOR 2013

a. There are two additional Medicare Taxes that will begin (we will discuss this in more detail on the next slide).

b. The phaseout of personal exemption will be back in place.

c. The phaseout of itemized deductions will be back in place.

d. The flexible spending account limits are being cut from $5,000.00 to $2,500.00.
NEW MEDICARE TAXES

1. Unearned Income Medicare Contribution Tax (additional 3.8% tax on the lower of net investment income for the year or modified adjusted gross income over a certain threshold amount).

2. Additional Medicare Wage Tax (additional .90% on gross compensation in excess of a certain threshold amount).

Threshold amounts: $250,000.00 for married filing joint filers and $200,000.00 for single filers.
• In 2011, it is possible that Box 12 of your W-2 will report the cost of your employer’s group health insurance coverage.

• This includes the amount that your employer pays and how much the employee contributes.

• The reporting is optional for 2011. This is being done for informational purposes only as a way to track that you have health insurance coverage as part of the healthcare reform act.
## 2011 Long Term Care Insurance
### Federal Tax Deduction Limits (Table 1)

<table>
<thead>
<tr>
<th>Taxpayer’s Age At End of Tax Year</th>
<th>Deductible Limit</th>
</tr>
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<tbody>
<tr>
<td>40 or less</td>
<td>$ 340</td>
</tr>
<tr>
<td>More than 40 but not more than 50</td>
<td>$ 640</td>
</tr>
<tr>
<td>More than 50 but not more than 60</td>
<td>$ 1,270</td>
</tr>
<tr>
<td>More than 60 but not more than 70</td>
<td>$ 3,390</td>
</tr>
<tr>
<td>More than 70</td>
<td>$ 4,240</td>
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</tbody>
</table>
QUESTIONS AND ANSWERS
CONTACT INFORMATION

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