

Leslie J. Kotrba, CPA

Tax & Accounting Services

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Thank you for your interest in our services. This packet will help you organize your records for your tax appointment.

This packet contains the following information:

- * *Professional Service Agreement*
- * *New Client Information Sheet – Electronic Fill-in Form (see instructions)*
- * *Client 2011 Tax Information Worksheet – Electronic Fill-in Form (see instructions)*
- * *Directions to Our Office*

Attention: If you do not want to use the electronic fill-in feature, please download the manual fill-in packet from my website.

Please bring the following to your appointment:

- * Your Questions
- * A copy of last year's taxes (if available)
- * Settlement statement for any home purchase or sale
- * Purchase dates and amounts for stocks/mutual funds sold
- * The information worksheets filled out with supporting documents as necessary
- * Your bank routing number and account number if you want direct deposit or auto withdrawal

Please Note: The client information worksheet is not tax advice - it is meant to be used with the professional tax preparation services of Leslie J. Kotrba, CPA. The "yes" answers may or may not qualify you for deductions.

Payment is expected upon completion of your tax return. Please bring a check or debit card to pick-up your return.

Instructions to Electronically Fill-in Forms (using free Adobe Reader)

1. You will be able to fill out these forms electronically and submit them to us via regular email, via our secure site or you can print out the electronically completed forms and give them to us.
2. You are not able to fill in sensitive information such as social security numbers. Please provide this information directly to our office (not via email).
3. If you want to provide sensitive information on the completed form (you can add it in the Questions/Comments section), it can be sent via my secure site. You will need to save the form on your computer and then follow the link on my website (contacts page) or type <http://palatinecpa.leapfile.com> in your browser. My secure site encrypts your data.
4. There are many fill-in areas which may not be readily visible, so please use the "Highlight Fields" feature (located towards the upper right hand corner). This will enable you to easily see all the input areas so you are able to fully complete the worksheets.
5. You can save your progress and continue at another time.
6. If you have not included any sensitive data, you may submit via regular email. You will need to save the file to your computer, create an email to leslie@palatinecpa.com attach and send. If you have included sensitive data, please send via my secure site (see #3 above).

Individual Income Tax - Professional Service Agreement

We appreciate the opportunity to work with you. In order to provide you with excellent service, clear communication is critical. To minimize the possibility of any misunderstanding, we are providing important information regarding our services. We encourage you to completely fill out all tax worksheets. If you choose not to, you are accepting the responsibility to provide us all the information necessary to prepare a complete and accurate return. By returning this organizer (even if blank) or by providing us with information to prepare your return, you agree to be bound by the terms contained in this Professional Service Agreement.

We will provide the following services:

We will prepare your 2011 Federal and State(s) individual income tax returns based on the information you provide, including any oral representations made by you. Enclosed are materials to help you gather and organize your tax data. We do not audit or otherwise verify the data that you provide, so this engagement cannot be relied upon to disclose errors, fraud or other illegal acts that may exist. We prioritize our work by date received, so please note that information you provide by March 31st, 2012, will be given the highest priority towards completion by April 17, 2012. It may be possible for us to complete your return on time if you provide information to us April 1st or later. However, you may be subject to late filing or late payment penalties if your return or a properly prepared extension (with payment if necessary) is not filed by April 17, 2012.

We will use our judgment to resolve questions in your favor, where tax law is unclear, if there is a reasonable justification for doing so. If there is an unclear applicable tax law or if there are conflicting interpretations of the tax law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. We will follow whatever position you request, so long as it is consistent with the codes, regulations and interpretations. If the IRS should later contest the position taken, you assume the risk of assessment of additional tax plus interest, penalties or related attorney fees. We assume no liability for any such additional penalties, assessments or related attorney fees. Pursuant to standards prescribed in IRS Circular 230 and IRC 6694, we are forbidden from signing a tax return unless we have a reasonable belief that a tax position taken on the return will have a probability of being sustained on its merits (unless we disclose this tax position on a separate attachment to the tax return). However, under no circumstances may we sign a tax return with a tax position that has no reasonable basis.

Fees for tax preparation services are based upon average times spent preparing each form. Additional time charges may be assessed. Our fee does not include responding to inquiries or examination by taxing authorities. However, Leslie is licensed to represent you and fees for such services are billed at hourly rates. **Payment for services is due when rendered (prior to e-filing your returns)** and interim billings may be submitted as work progresses and expenses are incurred. We reserve the right to stop work or not release our work on any account that is 30 days past due, in accordance with our firm's stated collection policy.

This agreement does not cover preparation of forms related to international bank accounts. If you need assistance with Form TD F 90-22.1 (FBAR), please contact our office.

Our clients agree to:

1. Contact us if you are interested in our services (even if you are just looking for an extension). We cannot file an extension unless you provide the required information.
2. Provide all the information required for the preparation of complete and accurate tax returns by March 31st, 2012, or enough to file an extension (see above regarding the time frame in which to turn in documents to our office).
3. Maintain a copy of your tax return and the documentation necessary to support the data used in preparing your tax returns, since we return all originals. (If you have any questions as to the type of records required, please ask us.) You will be billed \$15 for additional tax return copies.
4. Review your tax returns before signing them or the e-file authorization forms. (You have final responsibility for your income tax returns. You agree to review them carefully and immediately inform us of any incorrect information, error or required changes before signing the forms provided to you. You are responsible for any taxes and interest subsequently due.)
5. Notify us if you do not want to e-file and sign the appropriate form to opt-out. New rules require that tax professionals e-file all qualifying returns, or obtain a signed statement from you to opt-out.

You agree that our liability for the services being rendered under this engagement will be limited to any penalties caused by any mistakes made by us. In the event of a breach of this agreement, you agree that damages cannot exceed the fees paid for this engagement. You remain responsible for any taxes, interest and or penalties resulting from erroneous information provided to us. In no event shall we be responsible for punitive damages or interest charged by any governmental entity.

It is expressly understood that no action or claim, regardless of form, arising out of the services under this agreement, may be brought more than one year after the date of the last services provided under this agreement, except that a claim for non-payment may be brought within ten years of the final bill. In addition, any disputes arising under this agreement shall be submitted for a binding determination to the American Arbitration Association or such other ADR procedures as may hereafter be agreed between the parties.

Your Privacy:

As your CPA, we collect:

Information provided by you from your tax organizer, worksheets, documents, and discussions as well as information that we develop as part of the tax preparation process.

As your CPA, we are required to keep all information about our engagement confidential, so we will not disclose any information about you unless we have your approval or are required/permitted by law. This applies even if you are no longer a client. In addition, we are committed to the safekeeping of your confidential information and we maintain physical, electronic, and procedural safeguards to protect your information.

If the income tax returns we prepare are **joint** returns, each of you are our client. You each acknowledge that there is no expectation of privacy from the other and we are at liberty to share with either of you, without the prior consent of the other, any and all documents and other information concerning preparation of your **joint** returns.

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship.

Wishing you a healthy and prosperous New Year,
Leslie J. Kotrba, CPA & Staff

NEW CLIENT INFORMATION

Client

Your Name: _____ Home Phone: _____
 (As it should appear on your tax return)

Address: _____ Work Phone: _____

_____ City State Zip County Cell Phone: _____

Email: _____ How often do you check email? _____

Is your social security # correct on your tax documents? YES NO (If not, please provide the correct SS#)

Occupation: _____ Date of Birth: _____ / _____ / _____
 MM DD YYYY

Spouse

Spouse Name: _____ Home Phone: _____
 (As it should appear on your tax return)

Address: _____ Work Phone: _____
 (if different)

_____ City State Zip County Cell Phone: _____

Email: _____ How often do you check email? _____

Is your social security # correct on your tax documents? YES NO (If not, please provide the correct SS#)

Occupation: _____ Date of Birth: _____ / _____ / _____
 MM DD YYYY

Do you have any dependents you will claim on your return? YES NO

If yes, please provide the following:

Dependent Name	Relationship	Date of Birth	Social Security Number
_____	_____	_____ / _____ / _____ MM DD YYYY	This form is designed to be returned via email. To protect your privacy, please provide your dependent's social security numbers with your documents, or use our secure site.
_____	_____	_____ / _____ / _____ MM DD YYYY	
_____	_____	_____ / _____ / _____ MM DD YYYY	
_____	_____	_____ / _____ / _____ MM DD YYYY	
_____	_____	_____ / _____ / _____ MM DD YYYY	

When you filed your **STATE** tax return for last year, did you get a refund or did you pay?

(Pick One & Fill in Amount) Refund Pay Amount \$ _____

Did you itemize on your **2010 Federal tax return**? YES NO

Do you (or your spouse) want \$3 contributed to the Presidential Election Campaign Fund?

You? YES NO
 Spouse? YES NO

For Office Use Only: _____ NCF

Client Name "You" _____

Spouse (if applicable) _____

Tax Document Received (Form Number & Description) <i>select all that apply:</i>	<u>You</u>	<u>Spouse</u>	<u>Neither</u>	<u>Question</u>
W-2s (Wage Statements)				
1099-B (Stock/Mutual Fund/Bond Sales)				
W-2G (Gambling Winnings & Withholdings)				
1099-Misc (Miscellaneous Income)				
1099-C (Debt <i>not paid/Cancelled</i>) <i>not mortgage payoff</i>				
1099-G (State Income Tax Refund)				
1099-G (Unemployment Compensation)				
1099-Int (Interest Income)				
1099-Div (Dividend Income)				
1099-LTC (Long Term Care Benefits)				
1099-R (Retirement Plan Distributions)				
1099-S (Proceeds from Real Estate Sales)				
1098-T (College Tuition Statement)				
SSA-1099 (Social Security Benefits)				
1099-OID (Original Issue Discount) <i>usually on bonds</i>				
1099-HSA or MSA (Health Savings Accounts)				
1098 (Mortgage Interest)				
1098-E (Student Loan Interest)				
K-1 (Partnerships, S-Corp, Estates, Trusts)				
1098-C (Donation of Auto/Boat/Plane over \$500)				
Tax Exempt Income (on interest/dividend statements)				
Other (_____)				
Other (_____)				
Other (_____)				
Other (_____)				
Other (_____)				
Other (_____)				

Identify your 2011 tax related transactions:

Description <small>(check all that apply & provide all related documents)</small>		You	Spouse	Neither	Question
1	Sell stocks, bonds or mutual fund shares				
2	Exercise stock options				
3	Sell stock options				
4	Receive alimony \$				
5	Receive interest or dividends (over \$10) but <u>didn't</u> get a 1099-Int or 1099-Div				
6	Receive royalty income				
7	Rent out part of your house, or other property you own				
8	Dispose of rental or investment property by sale, short-sale or foreclosure				
9	Have income/loss from a partnership, estate or trust, but no K-1 Form				
10	Receive social security benefits				
11	Receive a refund of something you deducted on a prior return				
12	Receive tip income (of over \$20/month) not reported to your employer				
13	Have debts forgiven (<i>you didn't pay it and won't have to</i>) - <u>not</u> bankruptcy				
14	Receive jury duty fees How many days...you spouse ----- a.) Did you turn the jury duty fees over to your employer				
15	Take a normal distribution from an IRA or tax deferred retirement account				
16	Take an EARLY retirement distribution <i>Why?</i>				
17	Take a distribution from a Roth IRA <i>Is the Roth at least 5 years old?</i> Yes No				
18	Fail to execute a rollover from a retirement account within the required 60 days				
19	<u>Convert</u> an existing IRA or 401K to a ROTH IRA or Roth 401K ----- a.) If so, did you convert in 2010 & defer claiming the income until 2011 & 2012				
20	Take a distribution from a Qualified Tuition Savings Program (529 Plans)				
21	Take a distribution from a Coverdell Education IRA				
22	Turn age 70 & ½ and own any retirement accounts (<u>not</u> Roth IRAs)				
23	Execute a tax-free IRA direct transfer to charity (for those over 70 & ½ yrs old)				
24	Participate in an employer pre-tax DAYCARE account ----- a.) If so, did you use the entire amount in the account				
25	Take a distribution from HSA (Health Savings Account) or MSA - <u>not</u> flex medical				
26	Sell your personal residence – (sale, short-sale or foreclosure) ----- a.) Did you own & live in the home 2 out of the last 5 yrs prior to the sale date ----- b.) Did you use your home for rental or a home office at any time ----- c.) Did you acquire this home in a like-kind exchange ----- d.) Did you claim any homebuyer tax credits on the home you sold				

Description	<i>(check all that apply & provide all related documents)</i>	You	Spouse	Neither	Question
27	Purchase a home back in 2008 and need to pay back the homebuyer credit				
28	Receive payment for services <i>(not on W-2) - even if under \$600</i> <i>Brief Description of Services</i> ----- a.) Did you receive more than \$600 for services, but no 1099-Misc form				
29	Receive other income (such as prizes, awards, gambling winnings) <i>Brief Description of Income</i>				
30	Receive COBRA assistance (reduced payments)				
31	Have any loss carry forwards or unused credits from prior years				
32	Pay accrued interest on bonds purchased in between interest pay-out dates				
33	Called to active military duty (since 9/11/01) If so, # of days served				
34	Incur a penalty to "break" a savings certificate of deposit (CD)				
35	Purchase a hybrid or other fuel alternative vehicle				
36	Incur adoption expenses ----- a.) Did your employer provide adoption assistance ----- b.) Did you adopt a "special needs" child				
37	Pay alimony \$				
38	Purchase items online or out-of-state and not pay Illinois sales or use tax				
39	Contribute directly to a regular IRA (<u>Not</u> through an employer plan)				
40	Contribute to an IRA for a non-employed spouse				
41	Make "catch-up" contributions to a 401K, Roth or IRA (for ages 50 & older)				
42	Contribute to a Roth IRA <i>Are you aware of the AGI restrictions</i> YES NO				
43	Contribute to an employer-sponsored retirement plan (like a 401K)?				
44	Contribute to one of the Illinois college savings plans \$				
45	Cash in Series EE Savings Bonds (issued after 1989) to pay for education				
46	Contribute directly to a Health Savings Account HSA/MSA not through your employer				
47	Pay student loan interest				
48	Incur classroom expenses working as a K-12 teacher, principal, counselor, aide				
49	Incur any child or dependent care expenses in order for you to work ----- a.) If so, was the care provided at your home ----- b.) Pay for summer camp, preschool or kindergarten tuition				
50	Incur expenses related to miscellaneous income (such as income on a Form 1099)				
51	Pay substantial sales taxes on purchases (not including autos, boats & mobile homes)				
52	Pay sales tax on the purchase or lease of an automobile				
53	Pay sales tax on the purchase or lease of a boat or motor home				
54	Pay sales tax on home building materials (you must be deemed the purchaser)				

Description	<i>(check all that apply & provide all related documents)</i>	You	Spouse	Neither	Question
55	Incur personal losses (like fire, or thefts) cost you more than 10% of income out-of-pocket <i>(not including insurance reimbursements)</i>				
56	Incur job-related moving expenses				
57	Pay auto registration fees based on the value of your car? <i>(not in Illinois)</i>				
58	Purchase a principal residence Date of closing ----- a.) Pay points (or did the seller pay points) on your home purchase				
59	Take out a mortgage (2007 to 2011) & pay Private Mortgage Insurance (PMI)				
60	Pay mortgage interest on up to two homes				
61	Pay real estate taxes on any property you own				
62	Pay interest on a home equity loan (if under \$600 you may not receive Form 1098)				
63	Refinance your mortgage <i>(please provide settlement statement)</i> ----- a.) Pay points on your refinance Interest Rate Term ----- b.) Use refinance proceeds to improve your home ----- c.) Pay upfront PMI (private mortgage insurance) on your refinance				
64	Pay loan interest on assets (NOT your mortgage) like margin interest on stocks				
65	Incur medical expenses in excess of 7.5% of total income such as Lasik, dental, vision, tutoring fees for severe LD, and much more! ----- a.) Long-term care insurance premiums (limited by age) ----- b.) Long-term care services (assisted living, nursing homes, home care) ----- c.) Improvements to your home for medical reasons ----- d.) Incur mileage or other travel expenses in connection with medical services				
66	Incur impairment-related work expenses (handicapped employees)				
67	Incur gambling losses (deductible to the extent of gambling winnings)				
68	Give cash or check to recognized charities <i>You need proof of all donations!</i>				
69	Donate to an organization more than \$250 <u>in one day</u> (A receipt from the charity is required. Your cancelled check isn't enough.)				
70	Receive goods, meals or services in exchange for your donation				
71	Donate an auto/boat/plane to charity fair market value \$				
72	Incur auto mileage while working for charities How many miles				
73	Incur volunteer expenses (other than mileage) working for charities \$				
74	Donate non-cash items (like clothing, furniture, appliances, etc...) Does the total value of items donated exceed \$500 Yes No <i>(If yes, please refer to "Non-Cash Charitable Donation" section for more details)</i>				
75	Donate stocks or other appreciated assets to charity				
76	Pay for a partly tax-deductible membership (like a Zoo or museums) <i>(If yes, please contact the organization for the tax deductible amount)</i>				
77	Purchase auto license plates benefiting charitable organizations				

Description <i>(check all that apply & provide all related documents)</i>		You	Spouse	Neither	Question
Miscellaneous Itemized Deductions (limited by 2% of AGI)					
78	Pay union dues				
79	Purchase safety equipment, small tools and/or supplies for your job				
80	Receive less than 51 (Jan-June) or 55.5 (July to Dec) cents per mile reimbursement for work related mileage				
81	Buy employer-required uniforms used exclusively for work <i>(not suits)</i>				
82	Incur dry cleaning and/or laundering of <u>work required uniforms</u> <i>(not suits)</i>				
83	Purchase protective clothing such as hard hats, safety shoes etc...)				
84	Pay out of pocket for job required physicals				
85	Pay for professional subscriptions or books needed for your job				
86	Incur expenses to look for a new job (in your present occupation)				
87	Pay a convenience fee to pay federal income taxes by credit card?				
88	Pay for a safety deposit rental?				
89	Purchase gifts for business associates / employees (up to \$25 per person)?				
90	Pay for work travel, transportation, meals or entertainment (not reimbursed by your employer)				
91	Receive an allowance <u>(included in your W-2 wages)</u> for auto or other work expenses				
92	Use part of your home exclusively for work <u>for the convenience of your employer</u> (you will need a letter from your employer)				
93	Pay out of pocket for classes to maintain or improve skills <u>you must have</u> in your present job				
94	Pay (in 2011) for tax preparation, tax planning or electronic filing (we will record the amount you paid to Leslie on your tax return, if applicable)				
95	Incur accounting or legal fees in connection with income or losses shown on your tax return				
96	Incur investment expenses (financial advisors, clerical help, publications, office rent, computer equip & software etc...)				
97	Pay out-of-pocket for retirement account fees (or withdraw the amount from your retirement account as long as it is included in your taxable income)				
98	Incur transportation expenses between jobs (from one job to another) or from work to school				
99	Suffer losses in any Madoff-style schemes				
100	Pay college-level tuition for yourself or dependents (even through loans) ----- a.) Incur expenses for college books or other required supplies				
101	Pay more than \$250 n total for <u>K-12</u> in tuition, books & fees – only in Illinois				
102	Make STATE estimated income tax payments				
103	Make FEDERAL estimated income tax payments				
104	Qualify as a dependent on someone else's return				

Additional Questions		Yes	No	Question
105	<p>Did you purchase a home in the year 2010? YES...we mean 2010...this is used to prorate property taxes in states like IL where you pay property tax in arrears (for the prior year).</p> <p>If so, what date did you close? _____/_____/2010</p>			
106	<p>Make any gifts to an individual or trust of more than \$13,000? (There is no deduction for this, but you may be subject to additional filing requirements.)</p>			
107	<p>Did you make energy efficient home improvements (windows, doors, insulation, metal roof, furnace, air conditioning, hot water boilers, geothermal heat pumps, or advanced main air circulating fans)?</p> <p><u>See energystar.gov for details on which models qualify for the tax credit.</u> You can also ask the manufacturer or the installation company.</p> <p>If so, have you claimed an energy credit in the past? Yes No</p>			
108	<p>Are you anticipating significant changes to your 2012 income or deductions such that it may be necessary to adjust your withholding or make estimated tax payments?</p> <p>If so, please provide a brief explanation here:</p> <p>_____</p>			
109	<p>Have an interest or signature authority over any foreign financial accounts (with the equivalent of \$10,000 US Dollars or more in all accounts)? Please note: This question does not apply to foreign investments through US brokers.</p>			
110	<p>Did you own or have an interest in <u>foreign assets</u> (cash & property) valued at:</p> <p>a.) If you are a single filer or filing separately - \$50,000 at the end of the year, or \$75,000 at any point during the year.</p> <p>b.) If you are married filing jointly - \$100,000 at the end of the year, or \$150,000 at any point during the year.</p>			
111	<p>Were there any <u>changes</u> in 2011 to:</p> <p>Marital Status or Head of Household Status?</p> <p>Address? _____</p> <p>Dependents? (to add a dependent provide their name, social security # , date of birth and relationship), or list which dependent you will no longer claim)</p>			
112	<p>Were your dependents (ages 19 to 23) full-time students for at least 5 months?</p>			
113	<p>If you qualify for the Head of Household filing status, do you share living space (split expenses) with another adult(s) who could also claim Head of Household?</p>			
114	<p>Did you own a home in which your parents live?</p>			
115	<p>Did any of your children (now applies to children up to and including full-time students age 23) sell stock with a gross sale price of more than \$950?</p> <p>If so, do you want us to prepare the tax return(s)? Yes No</p>			
116	<p>Did any of your children (now applies to children up to and including full-time students age 23) receive interest or dividends over \$950?</p> <p>If so, do you want us to prepare the tax return(s)? Yes No</p>			

*****ALERT*** New Reporting Requirements for Foreign**

Accounts/Investments/Assets (not including foreign investments held by US brokers)

The IRS is cracking down on reporting world-wide income. If you have any connection to foreign financial accounts, direct investment in foreign businesses or ownership in foreign assets, please go back and review Questions #109 and #110 again. Penalties for non-compliance are outrageous (thousands of dollars - up to as much as 50% of the investment's value)! The new Form 8938 must be filed with your tax return. It is your responsibility to alert us regarding your foreign asset reporting requirement.

Form TDF 90-22.1 (to report ownership or signature authority over foreign bank accounts containing more than \$10,000 total) is filed separately and has to be received at the IRS by 6/30/12 (not postmark or mailing date). You need to make sure Form TDF 90-22.1 is filed on time. If you need assistance completing or filing this form, please let us know.

IRA Contributions:

I (we) may contribute to an IRA by 4/17/12 for immediate tax savings (please advise)

I (we) may contribute to a Roth IRA by 4/17/12 (for future tax benefits - please advise)

I (we) may contribute to some type of IRA for 2012 and would like more info

No Thanks. I (we) do not need any information on IRAs at this time

Electronic Filing

If you get a refund: Direct Deposit Paper Check

For Direct Deposit: Use the bank account shown on your prior year return (it is correct)

I (we) want to deposit the refund into more than one account

I (we) will provide new/additional account info:

Bank Name _____ Routing # (9 digits) _____ Acct # _____

Type: (checking or savings) (single or joint) *****Please note: If you are going to email this file back to us, please provide your bank information directly to our office.*****

If you owe taxes: Electronically Withdraw Taxes from Bank Account on _____/_____
(choose any date up to 4/17/12)

prefer to mail payment or pay by credit card

Non Cash Charitable Donations

To help you value your charitable donations, use Intuit's "It's Deductible" online at:

<http://www.itsdeductibleonline.com>

(You will need to contact Intuit directly with questions regarding use of this online product.)

Please track each donation separately and provide us with:

Name & Address of Charity

Brief Description of Items Donated

Amount of Donation (using "it's deductible" or similar thrift shop values)

If Amount is \$500 or more, then provide average age of items & total original cost (estimate if necessary)

It will help substantiate your valuations, if you take pictures of the items you donate (keep these with your tax records).

We have a secure way to send you information electronically! Our system protects your private information and is very simple to use (even for those who aren't computer savvy). As additional security, we use a client designated password. We would send you an email containing a link to our secure site where you would download a file (in .pdf format). We will contact you prior to sending anything. Please provide the best email address & password to use for this purpose:

Email _____

Mother's Maiden Name _____
or alternate password

Items we most often request from clients:

1. Cost basis (date(s) purchased and amount(s) paid) for sales of stocks/bonds/mutual funds
2. Settlement statements for all real estate transactions
3. Real estate taxes paid outside of escrow
4. Name, address & tax IDs of daycare providers
5. Dependent social security numbers
6. Bank account information for direct deposit or auto withdrawal (*there is no way to correct this after your return has been transmitted*)
7. Out-of-state purchases for Illinois Use Tax

FOR SMALL BUSINESSES ONLY**(or if you have expenses related to "side income"):**

Questions for Businesses		Yes	No	Question
Business 1	Pay (in 2011) for tax preparation, tax planning or electronic filing? <u>Please note: We will record any amount you paid to Leslie (in 2011) directly on your tax return.</u>			
Business 2	Did you use your home as an office, or for business storage?			
Business 3	Do you have depreciable assets? If so, have you claimed depreciation on assets in prior years?			
Business 4	Did you sell or exchange business assets (equipment, autos, etc...)?			
Business 5	Did you have any business casualties or thefts?			
Business 6	Did you pay for health insurance for yourself and/or dependents? If so, was there any coverage from employer plans? Yes No			
Business 7	Did you or will you contribute to a business retirement plan for 2011?			
Business 8	Did you have any business loss carry forwards from prior years?			
Business 9	Did you incur business auto mileage? If so, do you have documentation of your mileage? Yes No			
Business 10	Do you have inventory at the end of the year (unsold product)?			
Business 11	Did you have unused substantial materials or supplies at year-end?			
Business 12	Did you have any partners or shareholders in this business?			
Business 13	Did you purchase an auto to use in this business?			
Business 14	Do you use a cell phone for this business?			
Business 15	Do you use DSL/internet/email for this business?			
Business 16	Did you pay an individual or LLC over \$600 for personal services (other than employees)? If so, did you file Form 1099 for each person or LLC? ** Yes No			
Business 17	Did you pay any employee wages?			
Business 18	If you paid any wages, did you file all required payroll forms (including W-2s)?			
Business 19	Did you lease any equipment?			
Business 20	Did you receive any payments from customers in advance (you haven't shipped product or performed services by year-end)?			

**Please Note: Penalties for Form 1099 (failure to file or late file) have increased. You could also be responsible for 28% backup withholding. Please let us know if you have any questions regarding filing this form.

Disclaimer: This client information worksheet is not tax advice - it is meant to be used along with the professional tax preparation services of Leslie J. Kotrba, CPA. The "yes" answers may or may not qualify as tax deductions.

Tax Time News

In this Newsletter:

- **Standard Mileage Rates** *updates for 2011 & 2012*
- **Exciting Year for Leslie J Kotrba, CPA** *professional growth opportunities provide additional value*
- **Tax Breaks for High Income Taxpayers** *full credit for itemized deductions and personal exemptions*
- **Write-Offs on Business Assets** *using Section 179 expensing and bonus depreciation*
- **Will You Feel AMT's Bite?** *some taxpayers get a reprieve until 2012*
- **Private Mortgage Insurance Deduction Continues** *some taxpayers can deduct PMI*
- **More Taxpayers can Convert IRAs to Roth IRAs** *AGI limitation permanently eliminated*
- **Now is the Time to Avoid an Audit** *continued focus on audit & collection efforts*
- **High Income Taxpayers "Back Door" Access to Roth IRAs** *indirect ways to fund Roth IRAs but with a twist*
- **New Year Reminders** *don't procrastinate*
- **Illinois Collects Use Tax on IL-1040** *Illinois collects tax for out-of-state purchases*
- **Sales Tax Deduction is Back** *but only available if you itemize*
- **Teacher's Tax Break Continues** *this small benefit is safe for now*
- **Higher Education Tax Breaks** *save big money on higher education*
- **2011 Energy Tax Credits** *energy credits revert back to 2008 levels*
- **My 2011 Tax Return Fees** *please call for a personalized quote*
- **Highlights of Future Tax Changes** *2011 and beyond*

Tax Law Changes

The complexity of the tax code continues to increase. If you are confused about the way to maximize your tax benefits under the new tax laws, you are not alone! Congress continues to add new twists and turns to an already maze-like tax system. With so many rule changes, and the uncertainty as to the future of the tax code, even tax professionals must spend additional time keeping up! During the past several years, Congress has enacted unprecedented major tax legislation including: 2010 Tax Relief Act, Small Business Jobs Act of 2010, Education Jobs Act of 2010, Health Care Reconciliation Act of 2010, Worker, Homeownership & Business Assistance Act of 2009, American Recovery & Reinvestment Act of 2009, as well as many other tax laws. These laws combined account for multiple complex tax code changes, providing tax relief to families, couples, individuals and businesses alike.

Standard Mileage Rates – Once again, the **IRS changed the mileage rates mid-year**. This means that you will have to provide mileage for two different time-frames in order to compute your 2011 automobile deduction using the standard mileage allowance. IRS examiners will question those who simply split their mileage in half. The **IRS 2011 rates per mile** from **January 1st to June 30th** were 51 cents for business related miles, 14 cents for charitable activities, 19 cents for medical purposes and 19 cents for moving. The **IRS 2011 rates per mile** from **July 1st to December 31st** were 55.5 cents for business related miles, 14 cents for charitable activities, 23.5 cents for medical purposes and 23.5 cents for moving. The **2012 rates per mile** have been set as follows: business (51 cents), charitable (14 cents), medical (19 cents) and moving (19 cents). In addition to the above rates, you can deduct the cost of tolls and parking.

Exciting Year for Leslie J

Kotrba, CPA – I have served on the Tax Practice & Procedures Committee of the Illinois CPA Society for three years. This committee deals with all areas of practice before the IRS. In addition to being privy to what is going on between practitioners and the IRS, I have had the opportunity to expand my professional experience. In 2011, I served as a speaker at three professional conferences covering topics such as the “New Tax Preparer Registration Program” Initiatives and Circular 230 (standards of conduct and ethics for tax professionals). I was also a member of a task force which drafted comments to Washington, in response to proposed regulations. In addition, I participated in efforts to develop marketing strategies for CPAs to distinguish themselves from individuals who will use the newly created Registered Return Preparer designation. Through these activities, I have expanded my professional networks and gained numerous insights which will ultimately increase my value to clients.

Tax Breaks for High Income

Taxpayers – High income taxpayers get a temporary reprieve once again in 2011. They will be able to deduct all of their itemized deductions. In addition, personal exemptions will be allowed in full. In previous years, itemized deductions & personal exemptions have been reduced when income hits certain levels. These income limitations were set to return in 2011, but Congress has extended both of these tax benefits through 2012.

Write-Offs on Business Assets

Businesses which place qualified assets into service during 2011 may write-off the full cost of up to \$500,000. Of course, certain restrictions apply. In 2012, the

maximum amount that can be written off is decreased to \$139,000. In addition, bonus depreciation is available in varying percentages based on when the asset is placed into service: from 1/1/11 to 12/31/11 (100%) and from 1/1/12 to 12/31/12 (50%). Consequently, there are many options for businesses to accelerate deductions on assets placed into service in 2011 and beyond.

Will You Feel AMT's Bite? – Tax legislation contained a two year AMT “patch” covering 2010 & 2011. This means that Congress has once again postponed dealing with how to handle the impact of AMT on increasing numbers of middle-income taxpayers until 2012. AMT was initially designed to insure that high-income taxpayers paid a minimum level of tax. However, the original legislation did not contain any inflation adjustments. Consequently, more taxpayers are subject to AMT each year. Unless there is a permanent fix, millions of taxpayers will be hit with AMT on their 2012 returns. Some taxpayers will be surprised to find themselves subject to AMT for the first time, while others will pay more than they have in the past. The recent string of temporary fixes has often left taxpayers guessing until the last minute and has played havoc with tax planning. With the political climate in Washington, the fate of a 2012 AMT fix is up in the air. For now, individuals need to be mindful of AMT planning strategies. If you have large deductions (state income taxes, sales taxes, real estate taxes and miscellaneous deductions) or exercise incentive stock options, consult our office regarding your AMT exposure.

Note: The increase in Illinois income tax rates may cause additional taxpayers to be subject to AMT (since state income taxes paid are not allowed for purposes of computing AMT).

Private Mortgage Insurance (PMI) Deduction Continues

Taxpayers who obtain a mortgage (either to purchase or refinance a

property) from 2007 through 2011 and pay private mortgage insurance (PMI) continue to qualify for a tax deduction. The PMI paid on these qualified loans is taken as an itemized deduction on Schedule A. If the amount of PMI paid is not shown on the Form 1098, taxpayers may need to request this information from their lenders. Certain income restrictions apply and only a partial amount of upfront PMI is deductible.

More Taxpayers can Convert IRAs to Roth IRAs

– Prior law prohibited taxpayers (whose AGI is over \$100,000) from converting their traditional IRAs to Roth IRAs. However, this income restriction has been permanently eliminated. Consequently, all taxpayers have the opportunity to convert traditional IRAs or 401(k)s to Roth IRAs from 2010 and forward. However, back in 2010, taxpayers had a special option of spreading the income from the Roth conversion over two years (2011 & 2012), or they could have claimed it all in 2010. Those who deferred the 2010 conversion amount will have to report 50% in each 2011 and 2012.

Please note: If you have “basis” in your traditional IRA (from non-deductible contributions), please consult our office regarding the taxable portion of your conversion. Due to the complexity of these rules, all financial advisers may not be aware of the true tax consequences.

Now is the Time to Avoid an Audit

– The IRS has continued to expand its resources directed towards audits, enforcement and collection. Each dollar the IRS spends in these areas yields high returns. Over 50% of the IRS' 2012 budget is earmarked for enforcement activities. Audit rates continue to rise! The best time to avoid an audit is at the time your return is prepared. Make sure that you gather all necessary documentation to support your deductions prior to filing your return. Taxpayers are currently losing in tax court cases, despite being credible witnesses, because they lack the required substantiation.

High Income Taxpayers “Back Door” Access to Roth IRAs

Taxpayers who do not qualify for Roth IRA contributions (based on income limitations) now have the opportunity to indirectly fund Roth IRA accounts. You may recall that Roth IRAs do not allow tax deductions up front, but qualified distributions are tax free. Roth IRAs are also not subject to minimum required distribution rules, thereby increasing the amount which can be passed on to a beneficiary. This basically means that high income taxpayers can avoid taxes on the growth of their investments within Roth IRAs. As the economy enters recovery, this may turn out to be a significant tax benefit. However, there is a catch. High income taxpayers will not be able to fund Roth IRAs directly. Taxpayers could make contributions to non-deductible, traditional IRAs (which have no income restriction), then these non-deductible IRA accounts can be converted to Roth IRAs. However, the taxable amount of the conversion is based on the value of all your IRA accounts, so check with our office to see how this would impact your tax situation.

New Year Reminders – Don't forget to take the time to update your beneficiary designations on your retirement accounts and insurance policies. If you have been planning to open an IRA account, or set-up an automatic transfer to a savings account, now is an excellent time. In addition, check the balances in your Flex spending accounts to make sure you withdraw any funds left over from 2011. Do it today!

Illinois Collects Use Tax on IL-1040 – Residents of Illinois who make online or other purchases from out-of-state vendors do not pay sales tax. Unless the retailer has a location in Illinois, they are not required to register with the Illinois Department of Revenue and collect Illinois sales tax. Very few people realize that they are required to report these purchases and pay “use” tax (currently 6.25% on general merchandise and 1% on food). Last year Illinois joined other

states that collect this use tax along with the annual income tax filing. For those taxpayers who do not want to keep track of all of their out-of-state purchases, there is a flat rate amount based on AGI.

Sales Tax Deduction is Back

For 2011, the option to deduct either state income taxes or sales taxes has been extended. This option is especially beneficial to taxpayers in states that have no state income tax, as well as to seniors who are exempt from income tax on retirement income. Since the sales tax deduction is an itemized deduction, there is no benefit to those taxpayers who claim the standard deduction. Taxpayers who have not saved receipts to prove the actual amount of sales tax paid can use standard amounts available in IRS Pub 600. You may also claim sales taxes paid on vehicles/boats and home building materials (in addition to the table amounts). However, this deduction does not apply for Alternative Minimum Tax purposes. This deduction is currently set to expire after 2011.

Teacher's Tax Break Continues

In 2011, primary and secondary educators may still claim an above-the-line (do not have to itemize) \$250 deduction for books and classroom supplies. Eligible educators must work at least 900 hours during a school year as a K through 12 teacher, instructor, counselor, principal or aide. This deduction is set to expire after 2011.

Higher Education Tax Breaks

For 2011, taxpayers are able to once again take an above-the-line deduction for tuition and fees (higher education only). As in the past, taxpayers may not claim this deduction and the Education Credits for the same student. The American Opportunity Credit (which was new in 2009) has been extended through 2012. This credit of up to \$2,500 applies to four years of higher education expenses. It even includes the costs of books and other required supplies! Another benefit of this credit is that Congress made it 40%

refundable. In other words, even if you do not owe any tax, you can get 40% of this credit back (cash refund). Usually credits just offset your tax liability but will not generate a refund. Taxpayers must weigh all factors to maximize their benefits under all options (education credits vs. tuition deduction). Each of these tax benefits phases out at varying income levels. Consequently, it is imperative that you understand all the tax breaks available to you for higher education expenses, so you can maximize your savings. Our office automatically performs an analysis for you to make sure you get the highest tax breaks possible!

2011 Energy Tax Credits – The personal tax credits for residential home improvements on your primary residence expired at the end of 2011. Examples of items which qualify for this credit are: exterior doors and windows, storm windows, skylights, metal roofs, insulation, central air conditioning and heating, hot water boilers, geothermal heat pumps, as well as advanced main air circulating fans. However, for 2011, the energy credit provisions return to the pre-2008 rules. These include stricter definitions of qualifying energy saving property, as well as a lower credit amount (\$500). Certain limits even apply to specific improvements (for example, no more than \$200 for windows). In addition, since the maximum credit amount is a lifetime cap, calculation of the \$500 limit includes previous energy tax credits claimed since 2006.

My 2011 Tax Return Preparation Rates

Forms	Rates
FREE E-FILE WITH TAX PREP	
Form 1040 (long form)	\$143.00
Form 1040 with Sch A (itemizing)	\$175.00
IL State (with Fed)	\$ 33.00
New Client Set-Up	\$ 33.00

Please Note: Additional IRS forms may be required...please call for a personalized quote.

Highlights of Tax Changes for 2011 & Beyond

(Not including those already covered in this newsletter)

Income Tax 2011 & 2012 (most provisions cover both years)

- Bush individual & capital gains/dividends low tax rates extended through 2012 (rates will be the same as 2010)
- 2% payroll tax cut for employee portion of social security in 2011 (replaces the making work pay credit) – max savings of \$2,136
- Child tax credit remains at a maximum of \$1,000 through 2012
- Marriage penalty relief extended through 2012
- Earned income tax credit enhancements extended through 2012
 - Advance earned income credit no longer available from employers
- Adoption credit extended, increased and partially refundable through 2012
- Dependent care credit remains at current levels through 2012
- Employers may still offer up to \$5,250 in tax free (from income & employment taxes) education benefits through 2012
- Coverdell savings accounts extended through 2012
- For non-qualified distributions of HSAs & FSAs the penalty increases to 20% (starting in 2011)
- Over the counter medicines/supplies no longer eligible for tax free reimbursement (starting in 2011)
- Research tax credit extended through 2011
- Employee tax-free transit benefits extended through 2011
- Landlords do not have to issue 1099s to service providers who are paid more than \$600 (prior law repealed)
- Businesses do not have to issue 1099s (in Jan 2013) covering 2012 payments exceeding \$600 for both goods and services (even to corporations) – prior law has been repealed
 - However, new higher 1099 penalties (late file and failure to file) were not repealed!
- Employers are required to report the value of health insurance on W-2s, but this will not be taxable to the employee

Estate Tax (2011 & 2012)

- 5 million exemption amount for singles & 10 million exemption amount for married couples
 - Portability - leftover exemption from one spouse transfers automatically to the other spouse so the couple can take advantage of the entire 10M no matter whose name is on which assets – must file return to claim exemption
- Maximum rate of 35%
- Stepped-up basis (assets transfer to beneficiaries at fair market value)
 - Replaces modified carryover basis (executor can only allocate basis of 1.3M to assets transferred to beneficiaries (who would then owe more tax when they sell the assets) or 4.3M of basis to spouse of decedent)
- Special election for decedents in 2010 – their estate can elect either no estate tax w/modified carryover basis, or the new 5M exemption, 35% top rate & stepped-up basis
- Gift tax exclusion is raised from 1M (in 2010) to 5M for 2011 & 2012

Income Tax 2013

- Increase to the employee medicare tax of .09% for singles with AGI over \$200K and married couples with AGI over \$250K
- New medicare tax of 3.8% on investment income for singles with AGI over \$200K and married couples with AGI over \$250K
- Increase in the amount of medical expenses you cannot deduct (limitation will go up to 10% of AGI from 7.5% of AGI currently) for taxpayers under 65 years old
- FSA (Flexible Spending Account) contributions capped at \$2,500

Health Care Law 2014

- “Shared Responsibility Penalty” (for not having health insurance) will be collected by the IRS and is scheduled to be phased in over three years
- Individuals between 100% to 400% of the poverty level will qualify for a refundable tax credit to offset the cost of health insurance premiums

Please Note: The information contained in this newsletter is only a summary of tax law and is not intended to cover the complete tax implications of the topics discussed. For complete details on how the tax laws impact your situation, please contact our office.

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Directions from 53 -

Take ROUTE 53 to Palatine Road west. Proceed west on Palatine Road to Hicks Rd/Northwest Highway and turn right. Keep going on Hicks Road/Northwest Highway which will curve to your left and become just Northwest Highway. Turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Dundee Road -

See map for which direction (east or west) to travel on DUNDEE to reach Hicks Road. Go south on Hicks Road to Northwest Highway. Take a right on Northwest Highway and turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Palatine Road -

See map for which direction (east or west) to travel on PALATINE ROAD to reach Hicks Rd/Northwest Highway and turn north. Keep going on Hicks Road/Northwest Highway which will curve to your left and become just Northwest Highway. Turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Euclid Avenue -

See map for which direction (east or west) to travel on EUCLID AVENUE to Hicks Road. Turn north on Hicks Road and then turn left past the tracks when you cannot go straight anymore because Hicks Road joins Northwest Highway. Proceed on Hicks Road/Northwest Highway which will curve to your left and become just Northwest Highway. Turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Northwest Highway -

See map for which direction (east or west) to travel on NORTHWEST HIGHWAY to reach First Bank Drive (First Bank and Bakers Square). Turn at the light onto First Bank Drive and stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

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Directions from Barrington Road or Roselle Road via Palatine Road-

From Barrington Road or Roselle Road...turn (east) on Palatine Road to Quentin Road. At Quentin Road turn left (north). Proceed north to Northwest Highway. Take a right on Northwest Highway heading east past Smith and Plum Grove Roads. Once you pass a traffic light at Benton, stay to the left and turn left at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Rand Road & Quentin Road-

From Rand & Quentin go south on Quentin Road to Northwest Highway. Turn left onto Northwest Highway and proceed east past Smith and Plum Grove Roads. Once you pass a traffic light at Benton, stay to the left and turn left at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from Algonquin Road & Plum Grove Road-

From Algonquin Road & Plum Grove Road - turn north on Plum Grove Road and proceed to Northwest Highway. Turn right (east) on Northwest Highway. Take a right on Northwest Highway and once you pass a traffic light at Benton, Once you pass a traffic light at Benton, stay to the left and turn left at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from the I-90 Tollway:

Exit I-90 at 53 North. Take 53 North to Palatine Road west. Proceed west on Palatine Road to Hicks Rd/Northwest Highway and turn right. Keep going on Hicks Road/Northwest Highway which will curve to your left and become just Northwest Highway. Turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.

Directions from the North/South (355) Tollway:

Take 355 north to 290 which turns into 53 North. Take 53 to Palatine Road west. Proceed west on Palatine Road to HicksRd/Northwest Highway and turn right. Keep going on Hicks Road/Northwest Highway which will curve to your left and become just Northwest Highway. Turn right at the light onto First Bank Drive (First Bank and Bakers Square). Stay to your left and make a left turn onto North Ct. (at the stop sign). North Ct. will curve to the left and our office building is number 675 (the four story building on your left across from the Palatine Library (green roof)). The parking lot access is directly across from the main entrance to the Library.