

September Newsletter

Dear Clients and Friends:

As we begin September and post another *Tax Report* on our website, it's hard to believe that the tenth anniversary of September 11, 2001 is this month.

This Tax Report contains information on charitable donations, health savings accounts, independent contractors, S-Corp losses, and tax credits. As you peruse the newsletter on line, or review a paper copy (available in our office) highlight the things that are most important to you and don't hesitate to give us a call with any questions you might have.

Remember the mantra: **Credits are better than deductions** as you read the cover article. A credit reduces the actual tax you owe, while deductions only reduce your income.

In the "Short Takes" section, please note that the IRS has increased the mileage rate for business travel 4.5 cents. From July 1 to December 31, 2011 the new mileage rate for business travel is 55.5 cents per mile. It is 51 cents for the first half of the year.

The Charitable Donations chart in *Substantiating Charitable Donations for Tax Purposes* explains record requirements for claiming donated items. "Text message donations" show on your telephone bill, and thus that bill is the documentation.

On the last page you will find *Employee or Independent Contractor?* This discusses the distinctions between the two classifications, the penalties if you pick the wrong one, and how to decide. This is a complicated and convoluted employment decision that is extremely important in the way employment taxes are handled.

The images of the burning World Trade Center Towers and all the destruction will always be part of our history. It was heart wrenching and many loved ones were lost. Also many heroes were made from everyday people. Take a moment to remember them, and to celebrate the undefeatable American spirit as it was displayed in New York City.

John W. Trudell CPA