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Holiday Greetings

*We would like to wish all
of our clients and families
the very best for this
holiday season!*

Yearend Tax Planning & Other Tips

There is certainly no simplification in 2008 tax law and it appears the complexity will continue on into 2009. There is time left in 2008 for you to take action to reduce your taxes. Some suggestions include:

- 1) Evaluate the purchase of qualified business equipment for depreciation expense. Qualified business equipment purchases made prior to the end of this year can provide significant tax benefits.
- 2) Review your capital gains (what's that?) and capital losses. Consider selling stocks to get capital loss to the extent of capital gain and then to the capital loss limit of \$3,000. Watch out for wash sales.
- 3) There is a new 2008 property tax deduction for those not itemizing deductions.
- 4) Consider the conversion of a traditional IRA to a Roth IRA.
- 5) Medical Savings Accounts are growing in popularity. You might want to evaluate opening one of these accounts.
- 6) It is possible tax rates may increase in the years to come. You might want to evaluate an appreciated capital asset long-term sale to take advantage of the current low long-term capital gain rates.
- 7) If you have a C corporation with retained earnings and profits consideration should be given to the payment of dividends to take advantage of the current low qualified dividend tax rate.
- 8) Watch out for the Alternative Minimum Tax. A number of factors such as a large capital gain, large tax preferences, or a large amount of taxes deducted as itemized deductions (and a number of other items) can trigger this tax.
- 9) There are new tax provisions for 2008 related to new home purchases (which is essentially an interest free loan).
- 10) If you are planning to give stock to a charity make sure you have gain in the stock. If you have unrealized loss you would be better off to sell the stock and gift the sale proceeds.
- 11) There are tax credits for energy conservation expenses and qualified alternative energy generation equipment. (The credit offered for solar power generation equipment is becoming interesting based upon the federal tax credit and a Washington State incentive of 15 cents for every kilowatt-hour of electricity sent into the grid.)

Our firm has great tax planning software and can prepare tax projections for you in different case scenarios or to specifically identify problem areas such as the Alternative Minimum Tax.

Tax Reform

*(Letter to the Tri-City Herald
written and published in
November 2005)*

The President's Advisory Panel on Tax Reform submitted their report on November 1, 2005. I encourage you to read this report and it is available in PDF document format at www.taxreformpanel.gov.

I have read the proposal and would like to share a few thoughts regarding the committee's recommendations. I feel qualified to comment on some issues addressed in this proposal having spent 25 years of my life preparing tax returns.

Our current tax system is riddled with complexity and inefficiencies and actually provides disincentives to work and save at various income levels. The complexity results in an annual compliance cost to prepare tax returns and collect income tax estimated to be approximately \$150 billion dollars.

It is estimated that most taxpayers would pay about the same amount of tax under the Simplified Income Tax Plan as under our current system. Almost half of all taxpayers, under the new proposal, would file their income tax return on a one page form.

Fairness (the system does remain progressive), efficiency to the economy, and simplification all appear to be addressed. This proposal is worthy of consideration for those who want a better future for our country.

Robert D. Marple CPA

Tax Simplification Please!

The amount of tax law change enacted over the last several years is mind boggling. Since 1993 there have been 29 major tax bills passed consisting of thousands and thousands of pages or regulations and explanations. During 2007 there were six major bills passed and there have been three major bills passed during 2008.

2008 tax bills consisted of the:
Economic Stimulus Act of 2008
Heroes Earnings Assistance and Relief Tax Act of 2008
Heartland, Habitat, Harvest, & Horticulture Act of 2008

A word to our elected officials, "Enough!" We are drastically in need of tax reporting simplification and hopefully someone influential will listen and act.

A bipartisan advisory committee put together by the Bush Administration, released 2 tax simplification proposals in 2005. The proposals were designed to encourage

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FDIC Deposit Insurance

In these uncertain times (including major bank and investment bank failures) many have inquired about FDIC insurance.

The FDIC (Federal Deposit Insurance Corporation) insures deposits in most banks and savings associations in the United States. The FDIC protects depositors against the loss of their deposits if an FDIC-insured bank or savings association fails.

On October 3rd, 2008 the FDIC temporarily increased deposit protection from \$100,000 to \$250,000. This extended coverage is scheduled to revert back to \$100,000 on January 1st, 2010 (except for certain retirement plan accounts).

The FDIC also announced, on October 14th, a program providing full coverage (up to the FDIC \$250,000 limit) for certain non-interest bearing transaction deposit accounts and non-interest bearing personal and business checking accounts at participating FDIC-insured institutions.

The \$250,000 amount of coverage is per depositor, per bank (deposits in separate branches of the same insured bank are not separately insured).

There is \$250,000 in separate FDIC coverage for each qualified depositor. There are a number of different depositor categories which can each qualify for \$250,000 in coverage. The common depositor categories include single accounts, certain retirement plan accounts, joint accounts, and revocable trust accounts.

We recommend you review the titling of your bank accounts and consider your options with regard to qualifying all of your bank funds for FDIC insurance. Your banker can assist you with this analysis. There is also great information available at the FDIC website:

www.FDIC.gov
www.FDIC.gov/deposit/index.html

For those whom are fortunate to have significant deposit funds where FDIC coverage may become a problem, additional options exist which may provide additional FDIC coverage. Ask your banker about CDARS (Certificate of Deposit Account Registry Service). Additional information on CDARS is also available at the CDARS website: www.cdars.com



Tax Simplification

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savings, be tax neutral, and greatly simplify our tax recordkeeping and reporting requirements.

I read both proposals and have kept copies of the documents (see www.taxreformpanel.gov for the full final reports). The proposals were well thought out with excellent goals.

Included in our newsletter this year are excerpts from an article appearing in the USA Today in October of 2005, diagrams from the final advisory committee report, and a 2005 Tri-City Herald letter to the editor on tax simplification.

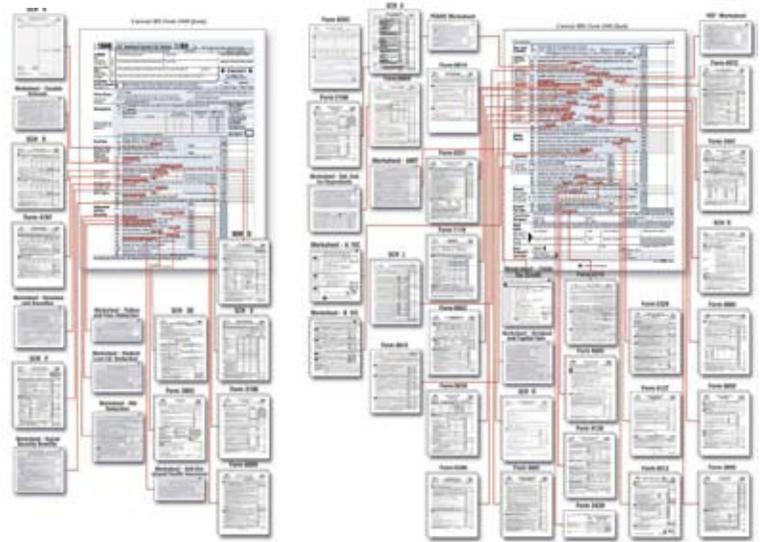
Diagram A graphically illustrates the 2004 Form 1040 and supporting schedules. Diagram B from the committee report graphically illustrates the proposed Form 1040 and supporting schedules.

When reviewing these diagrams, keep in mind there have been 14 major tax bills since 2005. The current 2008 Form 1040 and supporting schedules would likely require 3 pages to graphically illustrate.

The President's Advisory Panel on
Federal Tax Reform

Figure 6.11. Current IRS Form 1040 with Related Schedules, Forms, and Worksheets

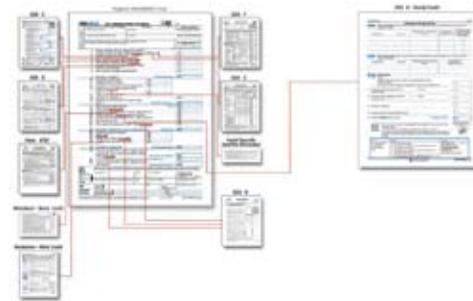
Diagram A



Federal Tax Reform

Figure 6.12. Form 1040 SIMPLE with Related Schedules, Forms, and Worksheets

Diagram B



Tax Simplification Proposals Draw Criticism

(Excerpts from an article by Richard Wolf, USA TODAY - 10/16/2005)

WASHINGTON — President Bush's advisory commission on taxes decided Tuesday to endorse a new, simpler income tax system that would encourage saving while eliminating or reducing popular tax breaks. The plan was immediately criticized by officials from California to New York.

The plan would reshape the current system but keep its primary emphasis on taxing income. The nine-member panel also endorsed a second plan that would combine income and consumption taxes. Under that plan, businesses would be able to write off the entire cost of capital investments.

Under both plans, most people and businesses would pay roughly the same amount of federal taxes as now, but in different ways.

The two proposals will be incorporated into a final report due to Treasury Secretary John Snow by Nov. 1. It will recommend eliminating the unpopular alternative minimum tax, which was designed to apply only to the very wealthy but threatens 20 million taxpayers with higher taxes next year. But it also will call for ending or limiting popular deductions for state and local taxes, mortgage interest and health insurance.

“We made some tough recommendations,” said former Democratic senator John Breaux, the panel's vice chairman. He said Bush could use the proposals to suggest his own tax overhaul in next year's State of the Union address.

(Editors Note: These proposals were well thought out and merited consideration. The new Obama Administration would be well advised to consider this prior work, its ready for use.)



ID Theft & Security Issues

According to a recent article in Accounting Technology over 10 million Americans have been the victim of identity theft. Surveys mentioned in this article indicate the average victim will spend \$8,000 resolving their ID theft and also spend 600 hours of their personal time.



What can you do?

- 1) Educate yourself – learn more about how identity theft occurs and what you can do to protect yourself.
- 2) Use secure passwords for sensitive personal and business information, computer access, and other account access. Use secure passwords. See the Microsoft website:
<http://www.microsoft.com/protect/yourself/password/create.msp>
- 3) Encrypt and password protect any e-mail attachments you send to others with sensitive personal or financial information. Insist that any service providers acting on your directions do the same. (We use the full Adobe Acrobat software for e-mail document encryption and password protection.)
- 4) Use a credit monitoring agency such as Equifax Gold 3-in1 monitoring service. For more information: <http://www.equifax.com/home/>
- 5) If you are an employer, consider providing a credit monitoring service for your employees.
- 6) Use a document shredder to destroy all documents with any sensitive personal or financial information included in the document such as credit card application documents received in the mail.
- 7) If you maintain a list of personal passwords or other personal financial information on a personal computer make sure this sensitive information is encrypted and password protected. For your best protection, encrypt and password protect this information on a separate storage device such as a thumb drive or USB hard drive and remove this device from your PC except for when you access this information. I personally use Steganos for encryption and password protection. Information on the Steganos security product is available on their website:
<http://www.steganos.com/us/>
- 8) Register with the Do Not Call Registry to reduce telemarketing calls. The phone number to opt out of receiving calls is 888-382-1222 and the website is: <https://www.donotcall.gov/>
- 9) Register to opt out of receiving unsolicited commercial mail at the Direct Marketing Association's Mail Preference Service: www.dmchoice.org
- 10) If you receive an e-mail purporting to be from the IRS, do not respond to it and delete it. The IRS does not contact you via e-mail.
- 11) Never carry your Social Security card or number with you.
- 12) Make a copy of everything in your wallet and keep in your safe or safety deposit box.
- 13) Never give anyone your password for anything.
- 14) Don't provide personal information to people who contact you over the phone, by the mail, or by e-mail.
- 15) Protect your personal and business PC's with firewalls, antivirus, and antispyware software and have software updated regularly.

Helping Others & Good Causes

Despite the strife we have encountered in our lives with the unprecedented decline in our investment markets and slowing economy, we still have a great country with great opportunity.

I hope those that can afford to do so, do not cut back on their charitable giving. If you can not afford to give money most can lend a hand and volunteer some time. There are great charities in our community that can use your help to help others who need help.

When giving funds to charities, remember to complete your due diligence of the recipient charity. Unfortunately not all charities act with ethics and integrity. Websites such as:

Charity Navigator
www.charitynavigator.org
GuideStar www.guidestar.org
BBB Wise Giving Alliance
<http://us.bbb.org/>
provide good information on charities. When thinking about helping others and supporting good causes, please check out the website of "The Foundation For A Better Life". This foundation, the advertisements they run on TV, and the materials and stories at their website
www.forbetterlife.org are truly inspiring.

All of us at Marple & Marple would like to wish you the very best for this Holiday Season!

