

RS & Co. Newsletter

Volume 5 Issue II

WINTER 2004

7 Ways to Start Lowering Your Tax Bill

The best way to trim what you have to pay the tax man is to start planning now. Here are 7 ways to get that process started so you can reap the savings.

Start gathering and saving receipts

Rule No.1 in tax planning is to bury the IRS with receipts. The IRS is a bureaucracy that runs on paper. The more receipts you show an auditor, the more credibility you're going to have.

But that's later. The best reason to save all your receipts is that they prove how much you paid, and what exactly was bought. If you don't have those receipts, how are you going to know what to deduct?

In the 25% tax bracket for 2003, a lost \$100 receipt is \$25 thrown away. Picture dead presidents on those receipts. They represent real dollars in your pocket.

Get organized

Rule No. 2 in tax planning is to organize your receipts. The IRS doesn't care if you've got a shopping bag full of receipts. They want them broken down into allowable categories.

That's where the "envelope" system comes in. Save all your receipts. Dump them in a file or even in a shoebox.



When you reconcile your checking account, break down the checks and receipts according to deductible category. Then put them into an envelope for each category. You'll have an envelope for charitable contributions, business expenses, interest paid, taxes, medical expenses, etc.

At the end of the year, you add the receipts and checks (don't double count!) to calculate how much you spent and can deduct.

If you pay your bills online or with personal finance software like Microsoft Money or Quicken, you can categorize those bills appropriately.

The benefits are obvious. The

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MILEAGE RATE FOR 2004

The per-mile driving rate has been increased to 37.5 cents for 2004, up 1.5 cents from 2003's allowance.

The 37.5 cent rate is the amount you can deduct for auto expenses on your 2004 tax return for business miles driven.

As a taxpayer, however, you have the option of maintaining accurate records of actual driving expenses incurred and using them as a basis for deducting auto expenses rather than the 37.5 cents per-mile standard.

QUICKBOOKS TIP: ADDING MACHINE

In any numeric field in Quickbooks, you can tap the = key to bring up an adding machine tape right there on your screen. For example, if you are entering a bill that is split several ways, you can use the = sign to help with the math to divvy up the bill to the appropriate accounts.

No more wasting time to reach for the machine on your desk—you can do it all on the screen.

REMEMBER TO CHANGE BENEFICIARIES

If a number of years have passed since you chose beneficiaries for your insurance or retirement plans, there's a chance you have forgotten to update them as needed.

Even if you have been diligent about updating your will, trusts, and other important elements of your estate plan, remember also to review beneficiary designations.

Life insurance and retirement plan beneficiaries take precedence over instructions in a will.

2003 Tax Bill

(Continued from page 1)

sooner you start, the fewer receipts you're going to miss. That translates into more deductions and a lower tax bill.

Fund your retirement plans

Rule 3 is also a no-brainer. The earlier you fund your retirement plan, the more time there is for tax-deferred or tax-free accumulations.

Clearly, you want to contribute at least up to the amount your employer will match. That's free money!

Then add as much as your cash flow and the Internal Revenue Service allow.

If you're already covered with a retirement plan, you can still contribute to and deduct an IRA if your 2003 income is less than \$50,000 (\$70,000 on a joint return). If your income is above those amounts, you can still contribute to an IRA, but it will not be deductible on your tax return.

The key here is to invest as much as possible, as soon as possible, to maximize your growth.

Buy self-employed insurance

If you're self-employed, your deduction for health insurance expenses increases from 70% in 2002 to 100% for 2003. There's no limit on the quality of care you

It is easier to do a job right than to explain why you didn't.

-Martin Van Buren



RS & Co Highlights



INTERN PROGRAM

In our continuing support of the future of the CPA profession, RS&Co hired two college interns during the summer. The interns performed a variety of tasks and received firsthand experience of accounting and auditing.

In January, RS&Co presented a fall intern training program focused on tax preparation for those entering the profession. Both programs were a great success and our thanks and best wishes go out to all the interns who participated.

can insure. So, let Uncle Sam contribute his share to your health coverage.

By the way, if you didn't pay your December 2002 premium until January 2003, you now have 30% more to deduct.

Use the child and dependent-care credit

If you have to pay for child or dependent care because both you and your spouse work or go to school, those expenses qualify for a credit. A credit is a dollar-for-dollar reduction in your tax.

For 2003, the maximum credit increases from 30% to 35% and the expense limit is increased from \$2,400 to \$3,000. That means the maximum credit is now as much as \$1,050 for one person or a maximum of \$2,100 for two. That compares to a maximum of \$720

PEER REVIEW UPDATE

RS&Co has just completed our peer review for 2003. Our profession requires accounting firms to have a thorough review of their quality control policies and procedures relating to their accounting and auditing practice. This review is conducted by our peers, who are specially trained CPAs from other firms.

We are anticipating a positive review, but are awaiting our final results. We will be sure to report them in the next newsletter.

and \$1,440 for last year.

Lifetime learning credit

The maximum Lifetime Learning Credit has doubled for 2003. This year eligible expenses are increased from \$5,000 to \$10,000. That doubles the 20% credit from \$1,000 to \$2,000.

The key to minimizing your 2003 tax is to recognize and claim all your allowable deductions.

DID YOU KNOW...

Trouble with icy steps???

Get a bucket of hot water and add enough DAWN (detergent) to make it sudsy. Pour solution on the steps. It removes the ice and will not let it refreeze.

Frozen Car Lock???

To help prevent car locks from freezing, place a small magnet over the lock.

Retirement Plans Overview

Individual Retirement Accounts

You may contribute up to \$3,000 of your earnings for 2003 or up to \$3,500 if you are age 50 or more. You may fund a traditional IRA, a Roth IRA, or both, but your total contributions cannot be more than these amounts. These limits will also apply for 2004.

You may be able to take a tax deduction for the amounts you put into a traditional IRA, depending on whether you are covered by an employer's pension plan and how much total income you have.

Spousal IRAs

These allow spouses to take full advantage of IRAs, regardless of the other spouse's retirement arrangements.

A full-time homemaker is now eligible for an IRA contribution of up to \$3,000, even if he or she doesn't generate income.

Roth IRAs

Contributions made to Roth IRAs are not tax-deductible, but when you withdraw your money in retirement, you will not have to pay taxes.

You can withdraw the amount invested at any time without penalty or tax. The earnings, however, are subject to penalty and tax.

Unlike traditional IRAs, Roth IRAs don't have a mandatory withdrawal in retirement.

401(k) & 403(b) Plans

401(k) plans have defined contributions. Employers define how much they will contribute upfront. You administer the funds in your 401(k) plan and are

responsible for making sure that they are invested appropriately to provide enough money for you during your retirement. 403(b) plans are similar to the 401(k)s, but are designed for public-sector employees.

Contributions are tax-deductible. Investments grow tax-deferred. Employers make matching contributions.

The annual contribution limit is high--\$13,000. Elective deferrals into a 401(k) plan are limited to \$13,000 for 2004, except that employees age 50 or over may be eligible to make an additional contribution of up to \$2,000 in 2003.

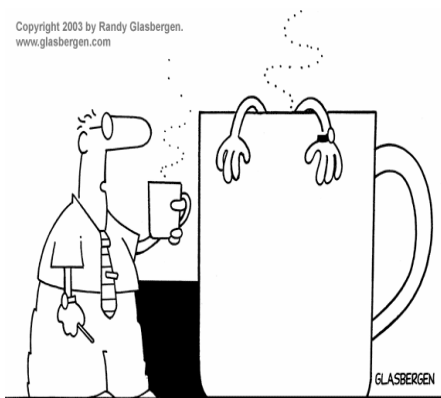
Keogh, SEP, SIMPLE

Like IRAs, the contributions you make to these plans are tax-deductible and cannot be withdrawn before retirement age without penalty.

What distinguishes these retirement vehicles are their much higher contribution limits; depending on the type of account, you can invest between \$6,000 and \$30,000 per year.

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"One of those days, Phil?"

Tax Cut

Now that Congress has passed -- and President Bush has signed -- a \$350 billion tax cut, what will the new provisions mean to your wallet?

AGI	Avg tax chg	Avg tax rate, old law	Avg tax rate, new law	% of total tax cut
<\$10,000	-1	-9.9	-9.9	*
\$10-20,000	-56	-4.0	-4.4	1.4
\$20-30,000	-199	3.6	2.8	3.9
\$30-40,000	-326	7.0	6.1	4.7
\$40-50,000	-436	8.7	7.8	4.9
\$50-75,000	-680	10.0	8.9	13.1
\$75-100,000	-1,505	12.2	10.6	15.8
\$100-200,000	-2,147	15.9	14.3	21.8
\$200-500,000	-4,069	22.8	21.5	9.9
\$500-1 million	-14,142	27.5	25.5	5.7
>\$1 million	-88,326	28.7	25.8	18.7

*Less than 0.05%

Network For Good

Network for Good helps small organizations make use of many tools that are traditionally only available to large nonprofits, including online fundraising, volunteer recruitment and advocacy tools. In addition, by working with extensive databases, Network for Good enables consumers to find smaller organizations in several different ways - whether or not those organizations even have an online presence.

Network for Good operates on the principle that the Internet is a democratizing tool among nonprofits, and that the more educated and strategic

individuals are in making donations, the more they will look beyond the well recognized brands for opportunities to give among smaller organizations.

Network For Good also offers the opportunity for non-profit organizations to accept credit card donations online by providing a "Donate Now" link for the organization to include on their website. This service now charges a fee of 3% of the donation, to cover administration and processing costs.

Visit the website:

www.networkforgood.org

Community Events Calendar

Saturday, February 21

Variety Club of Philadelphia will host its 2004 Gold Heart Ball. The Black Tie Ball will take place at the Hyatt Regency at Penn's Landing.

www.varietyphila.org

Friday, March 5

Philadelphia Folklore Project will host an open rehearsal of works-in-progress by three Philadelphia musicians in an intimate and informal atmosphere with time set aside for audience-performer discussion about approaches to music-making.

www.folkloreproject.org

Tuesday, March 18

Japan America Society of Greater Philadelphia will host "Conversation Club," which is a forum where native Japanese and English speakers can



practice their conversational language skills.

www.jasgp.org

Wednesday, April 7

International Visitors Council of Philadelphia will host its monthly "First Wednesday" at the Radisson Plaza Warwick Hotel. Discuss the latest world events and meet leaders in business, government, law, education and the arts from around the world.

www.ivc.org

Thursday, April 15

Philadelphia Society for the Preservation of Landmarks will host a Spring Luncheon at Grumblethorpe, a historical house located in Germantown.

www.philalandmarks.org

Sunday, April 18

Piffaro, the Renaissance Band, will be performing at St. James Episcopal Church in Lancaster, PA. Piffaro, founded in 1980, performs music of the late Medieval and Renaissance periods on a large and varied collection of early wind instruments, augmented by percussion and strings.

www.piffaro.com

Late Spring, 2004

Living Beyond Breast Cancer will host its 2nd annual Yoga Unites program on the east steps of the Philadelphia Museum of Art. The program features an outdoor, large-scale basic yoga class and healthy living exposition.

www.lbcc.org

RS&Co is not responsible for the above referenced events, please contact the organizations listed above directly for more information regarding their events. RS&Co will consider inclusion based on dates and space available and does not guarantee any event to be included in the newsletter. If you would like a future event published in our newsletter, please send an email to jessi@rs-co.com.

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