



Newsletter

NOVEMBER 2005

Annual Tax Planning Letter

Our Annual Tax Planning Letter accompanies this Newsletter. We encourage you to take time to consider your year end and long term tax and financial planning. Our services to you include helping you stay aware of the frequent tax law changes and identifying tax-saving strategies suited to your situation. If you have any questions on tax matters or financial planning, lets get together to review your status. Call for an appointment at 610-544-1094, any moves that should be made, must be made in the next two months.



Hurricane victims get tax relief

On September 23, President Bush signed the *Katrina Emergency Tax Relief Act of 2005* to provide immediate assistance to individuals and businesses hit by Hurricane Katrina.

Among the tax relief provided in this legislation:

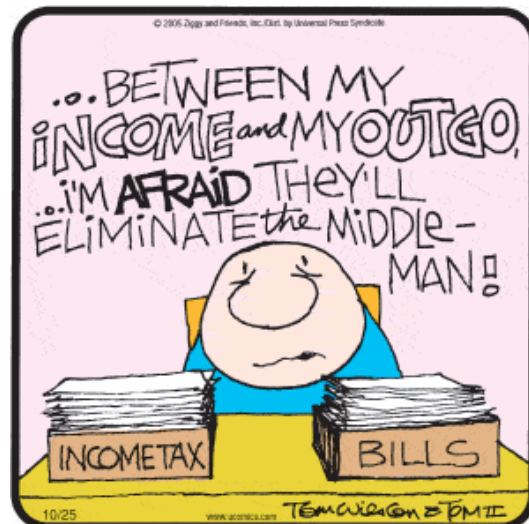
- Taxpayers affected by Hurricane Katrina will be allowed to borrow from qualified plans and to take penalty-free distributions from their retirement plans.
- Distributions from retirement plans can be averaged into income over a period of three years, and if amounts are recontributed to the plans within three years, amended returns can be filed to claim a refund of taxes paid on the distributions.
- Employers who hire workers displaced by Katrina may be eligible for the work opportunity credit of up to \$2,400 per worker. Those employers who continue to pay workers, even though the business is not operating due to the disaster, may qualify for the employee retention credit of 40% of up to \$6,000 in wages paid to each employee before year-end.
- To encourage charitable giving, the new law temporarily suspends certain limits on the amount of charitable deductions a taxpayer can take, and it provides enhanced deductions for contributions of food and books. It also increases the deduction for charitable driving related to Katrina to 70% of the rate allowed for business driving.
- Those who provide housing for displaced victims of Katrina may qualify for an additional \$500 tax deduction, with a four-person or \$2,000 deduction limit.
- Tax filing and tax payment deadlines are extended for those affected by the disaster, generally to February 28, 2006.

For details on these and other provisions in the *Katrina Emergency Tax Relief Act*, give us a call.

There are tax breaks for seniors

When it comes to taxes, growing older has its advantages. Here are some of the tax breaks available as you reach a certain age.

Higher standard deductions. You're eligible for a higher standard deduction once you reach age 65. In 2005, you can claim an extra \$1,250 deduction if you're single. If you and your spouse are both 65 or older, your combined extra deduction is \$2,000.



Tax credit for the elderly. You may qualify for this direct credit against taxes if you're age 65 or older during the tax year. There are limitations if your tax-free pension benefits such as social security exceed certain levels. Income limitations may also apply.

Tax breaks for social security benefits. Generally, you'll pay no tax on social security benefits if the total of one-half of the benefits plus all other income is less than \$25,000 (singles) or \$32,000 (married filers). Above those levels, you'll pay tax on up to 50% of your benefits. High-income seniors could be taxed on up to 85% of their social security benefits.

Please contact our office to make sure you're receiving all the tax breaks for which you qualify at any age.

What's the best way to build customer loyalty?

As a business owner, you know how much effort goes into attracting new customers. So once you've found a new customer, you want to keep that customer as long as possible. Many factors contribute to keeping your customers happy, but underlying many of them is a single issue – good communication. Your goal is to make the customer feel known, understood, and appreciated. It applies at every stage of the relationship – before the sale, while you're reaching a deal, and after you've concluded the sale.

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- **Before the sale.** Good communication should start long before a sale is made. It's important to get to know the customer and his or her needs, and to explain what products or services you offer. In a retail setting it could be as simple as greeting customers by name and learning their preferences. Train your employees to offer help, answer questions readily, and suggest new or alternative products. In other businesses, you might make regular calls or visits to a prospective customer, even if no sale is imminent. Use the opportunity to build relationships and to learn about customers' needs.
- **Making the sale.** Honest communication while you're making a sale can be key to keeping a customer loyal and happy. Be completely forthright about the terms and conditions. Don't over-promise; it will just lead to disappointment down the road.

- **After the sale.** If you really want to keep customers happy, always contact them after the sale. Make a follow-up call to ask if they're satisfied with their purchase. Communication at this point serves two purposes. It shows customers that they're appreciated, and it's a great chance to deal with any complaints or dissatisfaction. If there is a problem, your response can determine whether you lose a customer. Just behaving and communicating well is a big part of solving any customer complaint.

Obviously in a retail business, you can't follow up after every sale. But even here, you can train your staff to treat customers as important individuals. Customers thrive on being recognized and acknowledged.

In your business, think through every opportunity you have to communicate with your customers. Identify how you can make the most of each opportunity, and follow through. It's a sure way to build a loyal and appreciative customer base.



Don't neglect year-end planning



An important part of our service to you is to help identify actions you can take before year-end to minimize your 2005 income tax bill. Accelerating deductions, delaying income, contributing to retirement plans, and taking investment losses are all strategies you might want to consider. There are also tax credits that require careful planning or they may be lost. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us *soon* for a year-end planning review.