

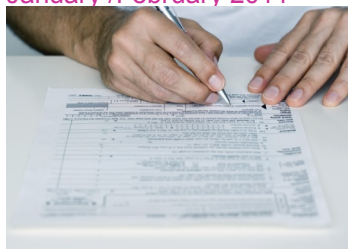


Ruby Valley Financial Roundup



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2010 TAX CONSIDERATIONS FROM JULIE WARD, CPA

The “Tax Relief, Unemployment Insurance Reauthorization, and the Job Creation Act of 2010” was signed into law on December 17, 2010. In general, the Act extended for two years the pre-act provisions. So, for two years many of these provisions are still in effect. But, what happens beyond 2012 is anyone’s guess!

Some of the noteworthy provisions that were extended to December 31, 2012 are as follows:

- ◆ Extension of the 10,15, 25, 28, 33 and 35 percent individual tax rates.
- ◆ Suspension of personal exemptions and phase-out of itemized deductions for higher income taxpayers.
- ◆ Extends the reduced tax rates for long-term capital gains and qualified dividends.
- ◆ Extends the refundable provisions of the child tax credit.
- ◆ Extends the increased earned income credit for those with three or more children.
- ◆ Extends the student loan deduction for more than 60 months and increased phase-out limits.
- ◆ Extends the American Opportunity Tax Credit for the first 4 years of college education.
- ◆ Allows 100% bonus depreciation for qualified property / assets placed in service after September 8, 2010 through December 31, 2011.
- ◆ The “Making Work Pay” credit of \$400 single and \$800 married, filing jointly is still available in 2010.

One of the benefits most commonly seen by taxpayers is the temporary reduction of an employee’s social security withholdings for 2011 from 6.2% to 4.2% . However, since the income tax withholding increased you may not see more in your check.

Effective for 2011, the estate and gift tax exclusion / exemption amounts and rates are set at \$5 million and a maximum top rate of 35%. The provision provides potential estate tax savings for individuals inclined to make lifetime gifts. Donors making lifetime gifts continue to apply the annual gift tax exclusion before having to use part of their applicable lifetime exemption amount. For 2010 and 2012, the inflation adjusted annual exclusion amount is \$13,000 per donor. Again, the changes to the estate and gift tax are scheduled to sunset at the end of 2012.

The income exclusion for a qualified charitable distribution from an IRA, of up to \$100,000 per taxpayer, is extended for years 2010 and 2011. Further, a qualified charitable distribution from an IRA made in January 2011 can be treated as made in 2010 (applied to individuals who are 70 1/2 or older).

If your gross income is below \$58,000, you may be able to “free-file” your return at www.irs.gov. The Act has many new dates and extensions and can be confusing. Consult your tax advisor for more information on how these changes may affect you.



... your feedback on how we are doing! We care about the quality of attention we provide to our customers and our communities. Your comments and ratings will provide valuable information on how we can improve our services and exceed your expectations. All responses are confidential. As a thank you for participating, you may enter a drawing for one of six \$25 gift certificates redeemable at any Ruby Valley Merchant. To take the short survey, please visit us at www.rubyvalleybank.com or come to either bank office for a paper copy.

Survey runs from February 15 through March 15, 2011. This offer is subject to change or cancellation. Employees of Ruby Valley National Bank are not eligible to win. No purchase is necessary to win. Limit one entry per natural individual. Entries can also be made by sending a 3X5 card with your name, address, and phone number to: Feedback Survey, Ruby Valley National Bank, P.O. Box 417, Twin Bridges MT 59754. All mail entries must be received by promotion deadline of March 15, 2011. Drawing to be held from all eligible entries on March 23, 2011. Must be 18 years or older. Need not be present to win. Please visit a Bank representative for complete rules.

TAX FILING TIPS

Get started early. Gather and organize W2s, 1099s and other papers and notices early. This process will also help identify any other information you are missing and give you time to locate it. These steps will give you a better sense of whether you'll need the assistance of a tax professional if there are significant changes in your sources of income for the year. If you are rushed, you may overlook money and tax saving opportunities.

File on time. If you need to file for an extension, remember filing an extension is not a payment extension. You will still need to estimate your tax liability and send the payment by April 18th. If you make this payment on time and cover at least 90% of your tax liability, you won't owe a late filing or payment penalty. Paying whatever you can on time will help reduce penalties and interest.

An extra day. Taxpayers will have until **Monday, April 18** to file their 2010 tax returns and pay any tax due because Emancipation Day, a holiday observed in the District of Columbia, falls this year on Friday, April 15. By law, District of Columbia holidays impact tax deadlines in the same way that federal holidays do; therefore, all taxpayers will have three extra days to file this year. Taxpayers requesting an extension will have until Oct. 17 to file their 2010 tax returns.

People often say death and taxes are the same, but this is wrong. Death is a taxable event, but taxes never die.

HOW TO BE SOMEBODY

■ *Talk health, happiness and prosperity* to every person you meet. ■ *Make all your friends feel* there is something special in them. ■ *Think only the best,* work only for the best, and expect only the best. ■ *Be as enthusiastic about the success of others* as you are about your own. ■ *Forget the mistakes of the past* and press on to the greater achievements of the future. ■ *Give everyone a smile.* ■ *Spend so much time improving yourself* that you have no time left to criticize others. ■ *Be too big for worry* and too noble for anger.

- Christian D. Larsen, *Creed for Optimists*

Dates to Remember

Valentine's Day	Monday February 14
Presidents Day (<i>Bank Holiday</i>)	Monday February 21
Daylight Savings Time Begins	Sunday March 13
First Day of Spring	Sunday March 20

TAX SAVINGS PRODUCTS

Even though 2010 is behind us, if you are looking for a tax benefit, an Individual Retirement Arrangement (IRA) account might fit the need. A traditional IRA is an excellent tool for retirement savings and will grow tax-deferred. 2010 contributions to an IRA can be made until April 18, 2011. The annual contribution limit in 2010 and 2011 is \$5,000; investors over the age of 50 by the end of 2010 can contribute up to \$6,000.

Contributions made to Montana Education Savings Program account, or 529 Plan, will grow tax free when the withdrawn monies are used to pay qualified expenses at an eligible education institution. Montana residents may deduct from Montana taxable income the amount of their contributions up to \$3,000 per year single; \$6,000 per year married couple filing jointly. Ruby Valley National Bank offers these plans through the College Savings Bank.

If you have a High Deducible Health Plan (HDHP), you may be eligible for a Health Savings Account (HSA). HSAs are tax-favored saving arrangements that allow eligible individuals to use the money to pay for qualified medical expenses incurred by themselves, their spouses or their dependants. In 2010, the self coverage contribution limit is \$3,050; family coverage is \$6,150. Catch up contributions for those 55 and older is \$1,000. The contribution amounts are the same for 2011.

Please visit with your tax consultant for eligibility and potential tax benefits these products may offer.

Q. What do you get when you cross a pillowcase with a stone?

A. A shamrock!



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