

Rosen Seymour Shapss Martin & Company LLP
Certified Public Accountants & Profitability Consultants

*Employee Benefits and Executive Compensation Services
Group*

RSSM Alert

Year End Tax Planning

Dear Client and Friends of the Firm:

As we approach the end of the year, now is the time to take action to enhance benefits and minimize taxes. Among them are:

Last chance to make a charitable contribution directly from your IRA or Roth IRA.

The tax code provision enabling such direct transfers is scheduled to expire at the end of 2007. If you are 70-1/2 years of age or older you can make a charitable contribution of up to \$100,000 directly from your IRA account. The amount contributed will count towards your annual minimum distribution requirement, and will not be included in income. In addition, you will realize the full benefit of a contribution that might otherwise be limited as an itemized deduction. To be eligible you must make the contribution by December 31, 2007 and you must do it right. Please contact us to make sure the necessary paperwork is executed timely and correctly.

Required Minimum Distributions.

Individuals who are age 70-1/2 or older are required to take a distribution from their IRA accounts, and in most instances, other qualified retirement plans, annually. The distribution is included in income for tax purposes. The minimum distribution that must be taken is based on the balance in your retirement accounts at the end of the previous year and your remaining life expectancy based on tables provided by the IRS. The distribution must be made by December 31st.

For individuals turning 70-1/2 in 2007, the **initial** distribution must be made by April 1, 2008. But if you turned 70-1/2 in 2007 and postpone taking your 2007 distribution until April 1st of next year, you will be responsible for two required minimum distributions in 2008 - one for the year you turned 70-1/2 (i.e. 2007) and one for 2008. Now is the time to consult with your advisors to determine how best to structure the timing of your required distributions.

IRA/Roth IRA Recharacterizations and Conversions.

The IRS permits IRA owners to recharacterize current IRA contributions from one type (traditional or Roth) to the other. If you meet certain requirements it is also possible to convert all or part of your IRA to a Roth IRA. This may be advantageous if you have relatively low income in 2007 and the tax burden of such a conversion this year would be

outweighed by the potential future tax savings that a Roth IRA affords. If it turns out that your 2007 income was greater than expected, your conversion can be reversed without penalty if completed by the filing deadline for your 2007 tax return, including extensions. There are rules limiting the timing and frequency of conversions, recharacterizations and reconversions. Please contact us to determine the best course of action for your particular circumstances.

Establishing a new retirement plan.

Qualified defined benefit and defined contribution retirement plans must be established by the end of the year in order to make a tax deductible contribution for 2007. While the actual contribution to the plan does not have to be made until the extended due date of the sponsor's 2007 return sometime in 2008, the actual plan must be in place by the end of 2007. If you have any questions, now is the time to ask so that we can help establish the right plan for you.

Flex Spending Account Balances - Use them or Lose them.

Flex spending arrangements allow participants to pay for health and child care benefits with pre-tax dollars. The amount you choose to contribute for the year is made prior to the beginning of each new year and must be used by the end of the benefit period - either December 31 or, if the employer has elected, March 15 of the following year. For 2007, you must use the amount you had withheld from your pay by December 31, 2007, or March 15, 2008, depending on your plan. If you do not use all of the monies withheld, you will forfeit them.

In addition,

you must determine the amount you wish to contribute to your 2008 flex spending account by December 31, 2007. Now is the time to review what remains to be spent of your 2007 contributions and what amount you will need to have withheld for 2008 in order to maximize your benefit.

Annual Part D Medicare Drug Coverage window ends on December 31st Individuals can join, change or drop Medicare Drug Coverage (Medicare Part D) only during certain times. If you first become eligible for coverage during the year because of age or disability, you can join a plan during the 3 months preceding or 3 months following the qualifying event - turning age 65 or the 25th month of cash disability payments. With limited exceptions, the only other time you can join, change or drop Part D coverage, without incurring a penalty, is during the annual window which runs from November 15th through December 31st. All coverage changes made during this period become effective January 1st of the following year. Now is the time to review your coverage and plan for the coming year. Medicare D plans are offered with a variety of options and by all major insurance companies. All plans must offer certain basic coverage, but most insurance companies offer plans with additional features at additional costs. Based on past experience you should attempt to estimate your annual drug expenses for 2008 and see which plan is best suited for you. One of the big determinants of your annual expenditure on prescription drugs is whether or not generic brands are, or will soon become, available. A little research can save you money.

Should you have any questions please feel free to contact me at 212-303-1806 or e-mail

me at aneumark@rssmcpa.com.

Sincerely,
Rosen Seymour Shapss Martin & Company LLP

Avery E. Neumark, CPA, JD
Partner-in-Charge of Employee Benefits and Executive Compensation

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