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ENROLLED TO PRACTICE BEFORE  
THE INTERNAL REVENUE SERVICE

CERTIFIED FINANCIAL  
PLANNER

December 2011

Dear Client:

Hopefully your preparing for the tax season will be a smoother experience than the year 2011 has been from a weather standpoint. Between heavy snows early in the year, hurricanes in the middle and again snow coupled with loss of power recently, I think we deserve a mild winter. However, that's yet to play itself out.

Federal tax changes for 2011 have not been great. It's pretty much business as usual as a result of President Obama extending the Bush tax cuts and income tax rates through December 2012. Between the presidential election and expiring tax provisions, 2012 should be a very interesting year.

As there are always some changes I've outlined a few that might be of interest:

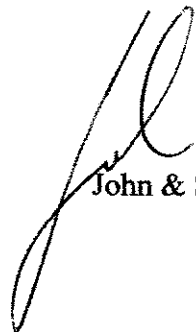
- Business auto mileage deduction for 2011 was split. For the first six months it was \$.51/mile and for the last six \$.55 ½. In 2012 \$.55 ½ is to be used.
- Health Savings Accounts (HSA) - Withdrawals made for other than medical expense now is subject to a 20% penalty up from 10% beginning January 1, 2011. Also over-the-counter medicines are not considered a medical expense for HSA purposes unless prescribed by a doctor.
- Energy Property Credit – Reduced from \$2,500 to \$500 in 2011.
- Starting in 2011 brokers will be required to report not only sales of mutual funds and stocks to the government but also for any investments purchased in 2011 and forward, the cost basis will be reported to the IRS when sold.
- COBRA Insurance – employers will no longer be able to take the 65% reduction in premiums and pass the savings on to former employees.

As for Connecticut, here were some changes that will impact most of us:

- Tax Rates – All rates are up with the top rate going from 5% to 6.7%.
- Property Tax Credit – Reduced from \$500 last year to \$300 for 2011
- Earned Income Credit – New this year. Will be 25% of federal credit.
- Sales Tax – Now 6.35%. On autos selling for over \$50,000 and clothing, luggage over \$1,000 rate will be 7%.
- Business Entity Tax – For corporations and LLC, the tax of \$250 will remain the same; however, it will be due every other year starting on January 1, 2013.

Should you have any questions about these items or any other tax issues be sure to give us a call.

Best wishes for a happy and healthy New Year.



John & Staff