

Barto, Hoss & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Dear Client:

As the end of the year approaches, it is a good time for you to engage in tax planning. You know your tax picture from earlier in the year and you have a pretty good idea of what it will be for the rest of the year. With that knowledge in hand, you are now in a position to take various actions that may save taxes for this year, next year, or both years.

Please note the optional financial planning survey provided on the insert panel.

A recent flurry of tax legislation may have an impact on your year-end tax planning for 2005. For example, the Energy Tax Incentives Act of 2005 provides a new tax credit for making certain energy-saving improvements around the house. But the new credit is not available until 2006, so you may want to hold off on the improvements if possible.

The Katrina Emergency Tax Relief Act of 2005 (KETRA) was signed into law on Sept. 23, 2005. KETRA is the first of two planned legislative initiatives dealing with the aftermath of Katrina. The second initiative will include stimulus provisions, such as accelerated depreciation and enhanced expensing, to encourage rebuilding of the vast area decimated by Katrina. KETRA, however, is designed to provide more immediate tax relief to help families recover from Katrina and to encourage Gulf Coast businesses to reopen their doors and keep employees on the payroll. An individual's Katrina casualty losses are deductible without regard to the \$100-per-casualty and 10%-of-adjusted-gross-income floors.

Despite its title, the Katrina Emergency Tax Relief Act of 2005 (KETRA) does not afford relief to just taxpayers in those parishes and counties designated as disaster areas by the President. Some of KETRA's relief provisions apply to taxpayers whether or not they are located in the Katrina disaster area, including, for example, allowing taxpayers to claim bigger charitable deductions than in the past because the Act lifts restrictions that limited the deductions. But it's only a temporary reprieve; the restrictions return after December 31, 2005. So you may want to consider accelerating your charitable donations from 2006 to 2005.

KETRA contains several expanded tax breaks to encourage charitable giving:

- *Increased charitable deduction limits.* An individual's cash donations whether Katrina related or not to charities made between Aug. 28, 2005 and Dec. 31, 2005, are exempt from the 50% of adjusted gross income (AGI) limit and the AGI-based phase-out of itemized deductions.

Corporate cash donations related to Hurricane Katrina and made between Aug. 28, 2005 and Dec. 31, 2005, aren't subject to the 10% of taxable income limit.

