



THE ELLS OUTLOOK

January-February 2011

Using The Tax Rate Schedule for Financial Planning

The passing of the Tax Relief Act of 2010 extended the tax rates from 2010 through the years 2011 and 2012. This means savings for tax payers in all tax brackets. Prior to the passage of the Tax Relief Act, those with a tax rate of 10% would have seen it change to 14%; those with a 24% rate would have seen it shift to 28%; those in the 28% bracket would have been pushed into the 31% bracket; the 33% bracket would have had a rate of 36% and those with a 35% rate would have had a 39.6% rate. Capital gain income which was scheduled to increase to 20% will remain at 15%.

The tax rate schedule can be helpful in making your financial plans more precise. For instance, with these rates in hand, and with guidance from your ELLS advisor, you are in a better position to make financial decisions such as whether to accelerate or defer income, pay additional expenses, sell investments, etc. Here are the current tax brackets. Your ELLS advisor can assist you in estimating your 2011 taxes as the year progresses.

Tax Bracket	Taxable income Married/Filing Jointly	Taxable income Single
10%	\$0 - \$17,000	\$0 - \$8,500
15%	\$17,001 - \$69,000	\$8,501 - \$34,500
25%	\$69,001 - \$139,350	\$34,501 - \$83,600
28%	\$139,351 - \$212,300	\$83,601 - \$174,400
33%	\$212,301 - \$379,150	\$174,401 - \$379,150
35%	Over \$379,150	Over \$379,150

You don't pay the same amount of tax on income. If you bump to a higher tax bracket, you only pay the higher rate for the amount above the lower threshold.

ELLS Attends "Physicians of Excellence" Awards Reception



In photo above, Shareholder **Maria Arriola** is joined by Steven Wener from Transworld Systems, Dr. Richard Pitts, Orange County Medical Association (OCMA) President, and Dr. Lytton Smith, OCMA member, during the January 20th reception for the Physician of Excellence Awards.

ELLS was among the sponsors for this annual event. Since its inception six years ago, the OCMA and Orange Coast Magazine honor the Physicians of Excellence for their services to their profession, lifelong dedication to their patients, and commitment to the community they serve.

ELLS has become increasingly involved with the OCMA programs as part of our goal to increase our services to our healthcare clients by keeping abreast of evolving trends and concepts in successful medical practice management.

Ron Stumpf Advocates Improving Communications



If you were to die tomorrow, would your spouse (or other heirs, if you are not married) know who to contact regarding your financial interests? Do you have a list of phone numbers available to them of advisors who are important for them to contact, such as your family attorney, your insurance broker, your investment advisor, and your CPA? If you have children under the age of 18, have you appointed a guardian for their care and have you discussed your wishes at length with this guardian? These are all things no one wants to talk about, yet it is so important that you do talk about it. The best way to have your wishes carried out is to let your heirs know your wishes.

We recommend you set up a meeting with your team of advisors and introduce them to your spouse and/or heirs, and have each one of them explain what it is they do for you, the types (if not the actual amounts) of accounts or policies you have, and how to reach them if there are further questions. It is good for your advisors to know each other: It can make any necessary transference of assets down the line go more smoothly.

If you own a closely held business, have you made plans in case of a long-term illness or worse? Do you have a business succession plan in place, a buy-sell agreement, or any other directives for the transfer of the business assets (and liabilities!) to the surviving spouse or heirs? Do your heirs know and understand the conditions of these plans? If you don't have any of these documents in place, now is the time to create them.

As your CPA and trusted financial advisor, we are in a unique position to assist you in communicating your financial information to your spouse or heirs. We have the advantage of seeing you at least once a year at tax time, and we usually know or do work for your other family members as well. Make an appointment to get everyone together and start talking! It could save your heirs hours of work and maybe many thousands (or in some cases, millions) or dollars.

For More Tax News, Check Out Our Blog:

www.ellscpas.com/ells-blog

CalCPA/Chapman Economic Forecast Breakfast Held in January

Things are looking up for Orange County in 2011, at least according to Chapman University Economist Esmael Adibi. In his presentation to an attentive audience, Dr. Adibi said he expects Orange County to create 23,000 new jobs this year, mostly in the professional and business sector (accountants, attorneys and temp workers), education and health sectors, and leisure and hospitality sectors. He predicts jobs in construction and government will continue to lag.



On hand to hear the news was ELLS staff and guests, pictured from left to right: **Carol Painter**, **Azi Farooquee**, **Ed Lieber**, Elliot Servias of Willis Insurance, **Greg Lewis**, **Lee Weir**, Mike O'Connor of Shamrock Supply Company, **Sherry Radmore**, **Ron Stumpf**, **Maria Arriola**, and Jim Holly of QBI, LLC.

Dr. Adibi went on to say that the job recovery, though relatively weak, should positively affect housing demand. And the expected rebound in income, low mortgage rates and lower home prices are helping to keep housing affordability at historical highs. But, he pointed out, the existing high inventory of resale homes and existing shadow inventory, estimated at about 5,000 units in Orange County, will mostly offset the positive factors influencing increased housing demand. It's a mixed bag, but at least it's creeping up in the right direction.



Suzanne Lieber Joins the ELLS Tax Department

We are happy to announce that Suzanne Lieber, Esquire, has joined our tax department for this year's tax season. She earned her BA in Business from Loyola Marymount University, her MBA also from Loyola Marymount, and a JD from Loyola Law School. Plans are underway to put some of that considerable knowledge to work for our clients. Welcome, Suzanne!

Be On The Alert!

IRS Revises Field Audit Procedures

The IRS has revised its procedures regarding field audits and is initially notifying the taxpayer of the audit by telephone rather than sending a letter. IRS agents are using this first contact as an opportunity to conduct an interview with the taxpayer before the taxpayer gets a representative involved. If you are contacted by the IRS either by mail, by phone, or in person, you have a right to say "I'm not prepared to have a discussion at this time. I or my representative will get back to you." You have a right to have a certified public accountant deal directly with the agent on your behalf. Call your ELLS advisor immediately when contacted by the IRS or the Franchise Tax Board.

Electronic funds transfer (EFT) rules in place.

Beginning Jan. 1, 2011, employers must use EFT to make all federal tax deposits (such as deposits of employment tax, excise tax, and corporate income tax). Forms 8109 and 8109-B, Federal Tax Deposit Coupon, cannot be used after Dec. 31, 2010.

Extended due date for tax returns!

If you're one of our "up to the last minute" clients, you have a gift from the IRS this year. Because of the Emancipation Day holiday in the District of Columbia, the due date of Form 1040 for 2010 is Apr. 18, 2011, instead of Apr. 15, 2011. The Apr. 18 due date applies even for taxpayers who do not live in the District of Columbia.

ELLS Attends Branch Opening for Citizens Bank



Citizens Business Bank celebrated their new branch opening with an Open House in the Irvine Spectrum on January 20th. Extending our congratulations were **Maria Arriola** and **Ed Lieber** who are pictured above with Chris Lange from Citizens Business Bank and Robert Dodge from Southland EDC.

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Ron Stumpf's Daughter Is Married

The beautiful bride is Jenny Stumpf who married Ali Mansour on January 22nd at the Nixon Library in Yorba Linda. All of the ELLS Shareholders were on hand to toast the bride and groom. Best wishes to Jenny and Ali who plan to reside in North Carolina.

— Around The Calculator —

Anniversaries abound as we ring in the new year. Thirty-four (yes, **34!!**) was the lucky number for Shareholder **Ed Lieber** on January 24th. February started off with Receptionist **Amanda Craft** celebrating her 1st year on February 3rd. **Azi Farooquee**, our IT Manager rang up his 10th on February 5th. **Erin Painter**, File Clerk, celebrated her third year on February 11th. On February 18th, **Chris Vasquez**, CPA/Audit Supervisor, will usher in nine years. Congratulations everyone!

Our congratulations to **Lee Weir**, CPA/Audit Manager, for joining the Rotary International Club of Santa Ana/Tustin service club.

Chinese-American Chamber of Commerce Installation Banquet



ELLS CPAs **Joanne Tang** and **Doris Zhu** flank Annie McNally of PatentPending.com as they attended the Orange County Chinese American Chamber of Commerce Installation Dinner on January 15th.

In compliance with Treasury Department Circular 230, unless stated to the contrary, any Federal tax advice contained in this newsletter, including attachments and enclosures, was not intended or written to be used and cannot be used for the purpose of avoiding penalties. Articles included herein are brief and necessarily not complete discussions. They should not be acted upon without seeking further professional advice. This newsletter is available to other interested parties by contacting our office.



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

1611 E. FOURTH STREET, SUITE 200
SANTA ANA, CALIFORNIA 92701
T: 714.569.1000
F: 714.542.1040
WWW.ELLSCPAS.COM
EMAIL: INFO@ELLSCPAS.COM

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ELLS Holiday Party and "Steal A Gift" Was Held at PJ's Abbey in Orange



**Here we are as we show off our prized gifts.
Our very best wishes for a wonderful year ahead
to our clients, business associates, and friends!**
