

October 15, 2004

Dear Client/Friend:

All of us have a responsibility to cast our vote on Tuesday, November 2, 2004 to elect the next President of the United States. In politics, there are always key issues at the heart of any election. This election is no exception as we have witnessed heated debates over war, foreign affairs and the economy. Wherever you may stand on these issues, we encourage you to make your voice heard and exercise your right to vote. As always, one of the major issues in any Presidential race is taxes. One thing is certain, the next President will undoubtedly make significant changes to the current tax structure; that is, if they keep their promises. We hope and trust that you will make an informed decision in this election.

During the year 2004, several major tax issues were considered and discussed, resulting in the "Working Families Tax Relief Act of 2004". Highlights of this tax act include the following:

- The 10% tax bracket has been extended
- Continuation of the increased child tax credit
- One year extension of the increased AMT exemption
- Several provisions and credits scheduled to expire have been extended
- Marriage penalty relief in standard deduction extended

The new administration will likely continue discussing tax reform and we will keep you posted as changes are made.

Now is the time to turn your thoughts to year-end planning. Some basic strategies for most taxpayers are as follows:

- If you expect a year-end bonus, ask your employer to pay it (and/or other salary) early next year.
- If you run your own business, delay income by sending this year's bills next year.
- Pay next February's property taxes in December of this year (watch out for the AMT tax).
- Contribute stock to your favorite charity (you get a deduction for the fair market value yet pay no tax on the capital gain).
- Avoid gift tax by making annual gifts of up to \$11,000 per person per year (\$22,000 if your spouse joins in).
- Contribute as much as you can to retirement plans.

- If you itemize, pay in December your fourth quarter state estimated tax payment, tax preparation fees (these might be fully deductible if allocated to the activities that gave rise to them), and for phone, office supplies and equipment, homeowner's insurance, utility bills (if deductible for home office), charitable gifts, uniforms, and medical expenses.
- Review your records for deductible items. Go over credit card statements, cancelled checks, and sales receipts.

This is only a brief list of basic tax strategies and we would certainly like to discuss particular issues with each of you.

We encourage you to consider the issues impacting your 2004 tax return, and give us a call so that we can assist you in your year-end tax planning.

Very truly yours,

Charles C. Craft

CCC/fkb