LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

December 7, 2009

[Client Name]
[Address]
[City], [State] [Zip]

Dear [Salutation]:

We are pleased to present this year's edition of LBMC's year-end tax planning letter. In addition to this letter, we have put together a web page that will give you access to several year-end tools including a Year-end Tax Planning Guide, Year-end Guidelines and a Records Retention Schedule. You can access all of these tools at www.lbmc.com/09taxtools. We believe you will find them most helpful.

As with each prior year-end tax planning letters, the general recommendation is to defer income and accelerate deductions unless you are an AMT Taxpayer. In that case, it may be advisable to defer certain deductions like property taxes and miscellaneous itemized deduction. Current consensus is that regular tax rates are not expected to increase until 2011. Pending legislation may affect one or more of the following bullet points.

Here are the highlights for 2009:

- No IRA Required Minimum Distributions (RMD) are required for taxpayers older than age 70 ½. If you attained age 70 1/2 during 2008 and chose to postpone the 2008 RMD until 2009, you were still be required to take your 2008 RMD by April 2009.

- One of the most suggested, yet not pursued, activities is to net securities' losses and gains. Generally, this requires getting an Unrealized Gain & Loss Report for each of your taxable securities accounts. Working with your investment advisor, determine which securities with losses are least likely to recover and sell those. Determine the collective net capital loss. Select a group of securities with gains that will offset the net capital loss that have been generated. The resulting net proceeds can be invested in new investments in consultation with your investment advisor. Be sure to avoid the application of the wash sale rules which disallow any loss if you buy back (or enter into a contract to acquire) substantially identical securities within 30 days before or after the initial trade.

- Generally mutual funds should not be purchased late in the year; most mutual funds make year-end taxable distributions of earlier gains that result in taxable income.

- If you meet certain income limitations, you can deduct the sales tax on a purchased vehicle up to $49,500 in value. If you do not itemize deductions, the sales tax deduction is added to your standard deduction.

- The expensing of equipment for business use is a generous $250,000 for 2009: next year the limitation drops to $134,000.

- For SUVs that exceed 6,000 lbs and assuming a $50,000 sale price, a purchase by Dec. 31 will result in an opportunity: $25,000 (the maximum expensing for vehicles), $12,500 bonus depreciation and $2,500 in regular deprecation (20% on the remaining $12,500). This assumes 100% business use.

- The tax rate on long-term capital gains of 15% remains in place and will remain in place for 2010, barring any legislative change.

- If you own a small business and your 2008 Adjusted Gross Income is less than $500,000, you may be eligible for reduced estimated tax payments for 2009. Please discuss this with your tax advisor before making your January 15 estimated tax payment.

- Shares of stock may be contributed to charitable organizations for a charitable deduction. If the contributed shares have appreciated in value and have been held for over 1 year, the charitable contribution will be its value on the day of donation. The taxpayer avoids the tax on the appreciated value and receives appreciated value as a charitable deduction. If the shares of stock have depreciated in value, then the shares should be sold, and the cash given to the charity and a capital loss taken as a tax deduction.

Now the highlights for 2010:

- Barring any new tax legislation, the AMT (Alternative Minimum Tax) exemption is scheduled to drop drastically next year. This exemption keeps most taxpayers from being subject to the additional tax. **We recommend that you have LBMC prepare a tax projection for 2010 along with your 2009 tax projection in order to analyze the impact of this.**

- Recent Congressional action extends the first time homebuyer credit to home purchases with a sales contract by April 30, 2010 and a closing date of no later than June 30, 2010. In addition, the eligible individual income limitation has been liberalized to an AGI of $125,000-145,000 and $225,000-$245,000 for joint filers). The credit is the lesser of $8,000 or 10% of the purchase price.

- A further extension of the home buyer's credit is available to "long-time residents" to buy and receive a credit of the lesser of 10% of purchase price or $6,500. Long–time resident is any individual (and, if married, the individual's spouse) who have maintained the same principal residence for any 5-consecutive year period during the 8 years prior to purchase of the new home.

- In 2010, any taxpayer, regardless of taxable income, may convert a regular IRA into a Roth IRA. The converted amount is taxable income, but subsequent distributions from the Roth IRA including the earnings are tax-free. There is also a special election to defer the payment of tax until 2011 and 2112 tax years. **If you have a regular IRA, you should have LBMC do an analysis as to whether a Roth conversion is advisable for your situation. We have developed a proprietary model to assist with the calculations.**

- A one year repeal of the federal estate tax is slated for 2010. After next year, under current law the estate tax reverts to a $1 million exclusion and a top marginal rate of 55%. On December 3, 2009, the House of Representatives voted to make permanent the current $3.5 million exclusion and top tax rate of 45%. The Senate has until December 31, 2009 to address the issue.

- Due to the low interest rates, Grantor Remainder Annuity Trusts (GRATs) and loans to family members look very attractive to reduce estate taxes**. Call a member of our Wealth Management Services team to learn more**.

- Net operating losses (NOLs) have traditionally had a 2-year carry back. Recent legislation has extended that carry back to 3-5 years. As always, the taxpayer can elect to forgo carrying the NOL back and carry it forward.

- Under current law, the percentage reduction in itemized deductions is scheduled to be repealed for 2010 only. This may be reason to consider deferring itemized deductions until 2010.

In conclusion, many exceptional opportunities are available to minimize your tax liability. We hope you and your family have a joy-filled and safe holiday season.

Regards,

Lattimore Black Morgan & Cain, PC

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