TAXLOGIC

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We provide a prompt, professional, personal one-on-one tax preparation from the comfort of your home. We are competitively priced and offer a lot of additional information from our web site – www.taxlogic.com

We are trying to keep you informed of some of the changes from the Economic Growth & Relief Reconciliation Act of 2001. However, if we don't hit upon a topic you are interested in, please visit our website at www.taxlogic.com.

Lower Capital Gain Tax Rate

After 2000, there will be changes in the capital gain tax rates. The changed rates apply to gain that is defined as "qualified 5-year gain." Qualified 5-year gain is long-term capital gain from the sale of property that you held for more than 5 years and that would otherwise be subject to the 10% or 20% capital gain rate.

2001. Beginning in 2001, the 10% capital gain rate will be lowered to 8% for qualified 5-year gain.

2006. Beginning 2006, the 20% capital gain rate will be lowered to 18% for qualified 5-year gain from property with a holding period that begins after 2000.

Election to recognize gain on assets held on January 1, 2001. Taxpayers (other than Corporations) can elect to treat certain assets held on January 1, 2001, as sold and then reacquired on the same date, but they must pay tax for 2001 on any resulting gain. The purpose of the election is to make any future gain on the asset eligible for the 18% rate by giving the asset a new holding period.

Any gain on a deemed sale resulting from this election must be recognized, but any loss is not allowed. For the election to apply, you cannot dispose of the asset (in a transaction in which gain or loss is recognized in whole or in part) within the 1-year period beginning on the date the asset would have been treated as sold under the election.

How to make the election. Report the deemed sale on your tax return for the tax year that includes the date of the deemed sale. If you are a calendar year taxpayer, this is your 2001 return. Attach a statement to the return stating that you are making an election under Section 311 of the Taxpayer Relief Act of 1997 and specifying the assets for which you are making the election. Once made, the election is irrevocable.

Got it?? If not, email us at info@taxlogic.com.

Medical Savings Accounts Pilot Program Extended and Renamed

A Medical Savings Account (MSA) is a tax-exempt trust or custodial account with a financial institution in which you can save money for future medical expenses. To qualify for an MSA, you must be an employee of a small employer or self-employed. You must also have a high deductible health plan and have no other health insurance coverage except permitted coverage. The pilot project for MSAs was scheduled to end December 31, 2000, but has been extended until December 31, 2002. MSAs have also been renamed Archer MSAs.

We would be happy to give you more information on the tax cut and help you to understand the financial issues that affect you at out site www.taxlogic.com.