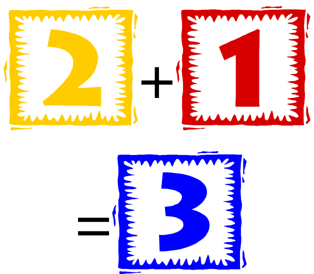
Schwab & Co.
Chartered Accountants

2010 Personal Income Tax

Once again we are gearing up for personal tax season. Many of you have already started receiving tax slips and other tax information.

To help keep it all together we are enclosing our Personal Tax Envelope and Checklist. For those of you receiving our newsletter electronically, you'll still receive your Tax Organizer envelope in the mail. Please review the checklist to help ensure you have everything we will need to prepare your return. You can download a more detailed checklist from our website (www.schwabco.ca > Info Centre > Client Tax Organizer). Carmia or Crystal will be contacting you to setup an appointment.



Jon and Teresa are pleased to announce that as of January 1st, Scott Milroy has become a partner in the firm.

Scott draws on his extensive experience as a C.A. in industry to assist his clients with internal reporting, negotiating and renewing finance agreements, communicating with lenders and financial management. Scott also provides more traditional year-end accounting and tax services for corporate and individual clients.

Brooks & Bow Island Hours

For the upcoming personal income tax season our hours are as follows:

Brooks office

★ Every Thursday from 11:00 am to 2:30 pm commencing March 10th to April 28th.

★ We are still located @ 440 – 2nd Street W.

To set up an appointment phone 403-362-7202. All calls are forwarded directly to the Medicine Hat office.

Bow Island office

★ Every Tuesday from 12:30 pm to 3:00 pm commencing March 8th to April 26th.

★ Located in Bolton Bishop's office @ 137 - 5th Avenue E.

To set up an appointment phone 403-527-9760.

Are you turning 65 this year?

If you reach this milestone here are a couple of things to consider:

★ If you've never been a member of a pension plan, you should consider withdrawing $2,000 per year from your RRSP. This will allow you to utilize the pension credit and effectively withdraw the funds without paying any tax. Continue this strategy until you convert your RRSP to a RRIF, which must be done in the year you turn 71.

★ If you haven't already done so, don't forget to apply for early CPP benefits.

QuickBooks Tips

QuickBooks 2011

QuickBooks recently issued a new release of QuickBooks. Here are a few of the new features:

- *Accept Credit & Debit card payments with Intuit Merchant Services (sold separately)*
- *EFILE process has been refined and includes T4A and T5018 forms, as well as the ability to amend and cancel T4 forms*
- *A new Manage Sales Tax Window, improved File Sales Tax window, new Sales Tax Code Setup Wizard, new Resolve Your Sales Tax window and more robust Sales Tax reports*
- *Ability to link directly to CRA site to Efile your GST return*
- *You can create a challenge question as a fall back if you forget your password*
- *CashFlow comparison between current year and previous year*
- *MS Office 2010 compatibility (32 & 64 bit)*

If you are using QB 2008 or earlier version we recommend updating to the latest version. If you would like assistance or more information, please contact our office.

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Karren Brown – Technician
Matt Wilson - Bookkeeper
Carmia Green & Crystal Jesse – Admin Assistants

2011 CPP & EI Rates

- *Maximum pensionable earnings have been increased from $47,200 to $48,300, with the basic exemption remaining at $3,500. The employee and employer contribution rates remain unchanged at 4.95%. This results in maximum employee and employer contributions of $2,217.60. If you are self-employed you are required to pay the employee and employer portion on your net business income. This results in a maximum contribution of $4,435.20.*
- *Maximum insurable earnings have been increased from $43,200 to $44,200. The employee contribution rate has increased from $1.73 to $1.78 per $100 of insurable earnings. Employers must remit 1.4 times this amount, resulting in a rate of $2.49 per $100 of insurable earnings. The maximum employee and employer contributions are $786.76 and $1,101.46, respectively.*

2011 Mileage Rates

The limit on tax-exempt mileage allowances has not changed from 2010. Employers can reimburse employees for business use of their personal automobiles at the following rates and the allowance will not be taxable to the recipient:

- $0.52 per km for the first 5,000 km
- $0.46 per km after the first 5,000 km

Medical Tax Credit

The 2010 Federal Budget notes that purely cosmetic procedures incurred after March 4, 2010, including related expenses such as travel, are no longer eligible to be claimed as medical expense tax credits. This generally includes surgical and non-surgical procedures aimed purely at enhancing an individual's appearance. Some examples are liposuction, hair replacement procedures, botulinum toxin injections and teeth whitening. GST may also apply to these ineligible expenses.

Beware of "In-Kind" TFSA, RESP & RRSP Contributions

If you haven't done so already, you'll want to consider making your annual Tax Free Savings Account (TFSA) contribution. If you don't have the cash available, consider transferring a current investment to your TFSA. When you do this, you are deemed to have disposed of the investment at fair market value, which will result in a capital gain or loss. If you have a capital gain, you will be required to include 50% of the gain in your taxable income. If you have a capital loss on the property, the loss is deemed to be nil. The same rule applies to Registered Education Saving Plan (RESP) and Registered Retirement Saving Plan (RRSP) contributions.

In order to avoid this loss denial, you should sell the investment then contribute the cash to your TFSA, RESP or RRSP. You can then buy an asset that is not the same or similar. If you still wish to hold the same investment, you can repurchase it after 30 days.

No Attribution Here

The attribution rules do not apply to non-interest bearing loans or gifts to other family members, which are used to make a TFSA contribution. As a result, a taxpayer can fund the TFSA contribution of a low income spouse or child who is 18 years of age or older.

Assisting Your Children To Buy Their First Home or Return to School

Rather than giving your adult children cash to use as a down payment on their first home, consider making an RRSP contribution on their behalf. This will provide them with a RRSP deduction in the year of contribution. They can then withdraw the contribution under the First Time Home Buyer's plan, where they'll be required to either repay the withdrawal or include it in income over a 15 year period.

This can also be used if your adult children plan on returning to post secondary school. Amounts contributed can be withdrawn under the Lifelong Learning Plan, which are then repaid over a 10 year period.

Transferring Capital Losses Between Spouses

Do you have unrealized capital losses while your spouse has capital gains on which they'll have to pay tax? If so, you may want to look at transferring your losses to your spouse. To do this, you would sell your loss shares and then your spouse would purchase and sell the same shares. As long as your spouse purchases the same shares within 30 days before or after you sale, your loss will be denied and transferred to your spouse.

For example, if you purchased shares for $100 and then sell them for $30, you would realize a capital loss of $70. If your spouse buys the same shares within 30 days before or after your sale, your $70 loss will be denied. Your spouse can recognize the $70 loss when they dispose of the shares.

Staff Update

- In September, Denica returned to mat leave. On Nov 2nd she gave birth to a healthy baby boy named Malcolm Oliver.
- Karren Brown (left) joined us in September as an accounting technician. She comes to us from Calgary where she worked at a small C.A. firm for a number of years.
- We would also like to welcome Carmia Green (right). Carmia joined us in October and brings with her numerous years of administrative experience.