Client Newsletter
September 2010

DONNELLY-BOLAND AND ASSOCIATES

Delivering quality, commitment and value.

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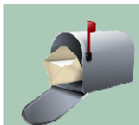

We would like to send this newsletter to you electronically.

You can help by sending your name, address and e-mail address to jlapp@donnelly-boland.com.

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Year-end tax planning crucial

At the end of 2010, most provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 will "sunset" or expire. Only those provisions extended or made permanent by later tax legislation will remain effective in 2011.

That makes year-end tax planning crucial for 2010. At the point of major tax change, there are always opportunities and pitfalls that should be analyzed if you want to keep your taxes as low as possible.

With all the tax changes that have already occurred and the many more sure to come this year and next, you should review your tax situation.

An important part of our service to you is helping to identify actions you can take before year-end to minimize your income tax bill. If you'd like to discuss tax-cutting options that fit you, contact one of our offices for a year-end tax planning review.

Kevin P. Boland, CPA
Executive Vice President

"As we mentioned in our mid-year tax planning letter, smart planning is key to hit your tax cutting goals. Here are a few tips to help you stay on track:

1. **Watch your withholding and estimated taxes.** If you had a job change, received taxable unemployment benefits, or made an emergency withdrawal from your retirement account, you may need to adjust your withholding.

2. **Review your retirement plan.** There are required minimum distributions from retirement plans for taxpayers age 70-1/2 and older. These distributions are taxable.

3. **Maximize your deductions and credits.** Note that some tax breaks have expired or are about to expire. Also, effective this year, high-income taxpayers are entitled to the full $3,650 deduction for each personal exemption.

4. **Mind your business (taxes).** There is new legislation for 2010 that has brought a fresh set of opportunities and challenges for businesses.

Call one of our branch managers to discuss how these changes affect you."

Tax filing reminders

September 15

Third quarter installment of 2010 individual estimated income tax is due.

Filing deadline for 2009 partnership tax returns that received an extension of the April 15 filing deadline.

Filing deadline for 2009 tax returns for calendar-year corporations that received an automatic extension of the March 15 filing deadline.

October 1

Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2010.

October 15

Deadline for filing 2009 individual tax returns on extension.

Evaluate investment risk in your profile

If nothing else, the recent financial meltdown provided an important learning experience and reinforced time-tested concepts about risk in investing. None of these lessons will comfort investors. However, we can still evaluate investment risks, at least on a relative scale.

Conservative investors fear loss of principal above all. They flock to lower-risk vehicles, such as Treasury bonds, CDs, and money market funds, which are comparatively well known and easy to understand. They're willing to accept a lower ceiling on their potential earnings in exchange for a lower risk of losing principal. However, this reasoning ignores or underrates a different but no less serious risk: that inflation will outstrip the earning power of the investor's savings, causing the principal to lose value even when achieving its maximum rate of return. In the worst case, conservative investors can outlive their investments.

Aggressive investors have no problem with risky investments if the investments carry a high profit potential. The more rational risk-takers recognize a corresponding loss potential and accordingly risk no more principal than they can afford to lose. Their less rational fellows may continue to risk everything until little or nothing remains.

The wisest investors take a balanced approach. Since most have neither the time nor the resources to analyze individual investments in depth, they generally refer to advice and analysis

See 'Risk' on from pg 3

Mary Soroka,

MST,
Chief Operating Officer,

has worked directly for, or as a consultant to, governments and government-funded organizations during a career that has spanned more than 26 years.

During consulting assignments, she has gained hands-on knowledge of the accounting software, account and agency structures. Mrs. Soroka leads training and development processes toward improvement and efficiency. With her vast knowledge of accounting and other systems, she plays an integral part in analysis, redesign and improvement for Donnelly-Boland and many of our consulting clients.

She has assisted clients in the wake of resignations and other staffing gaps, by quickly learning systems, training existing staff and recruiting replacements. She is also responsible for the training of Donnelly-Boland staff on a variety of systems and software packages including Microsoft and JD Edwards products.

Prior to joining DBA, Mary worked with the YWCA of Greater Pittsburgh as the Director of the Subsidized Child Care Division, and with the Allegheny County Controller's Office, rising to the rank of Manager of Accounting Systems. She has had responsibility for the operational and systems aspects of the accounting function in each of these positions.

Gambling winnings and losses can affect your tax bill

From time to time, some of you are lucky enough to win a shilling or two at your local casino, the track, or your state lottery. How will that gambling income impact your taxes?

All gambling winnings are taxable. This is true for cash winnings and for the fair market value of any non-cash prizes you might win (e.g., a car, vacation, etc.). Depending on your other income and the amount of your winnings, your federal tax on such winnings can go as high as 35%. You don't receive any capital gains rate break for gambling winnings, nor is there any income averaging to help lower your tax bill.

However, you are entitled to a tax deduction for gambling losses. These are taken as an itemized deduction and your losses can't exceed your winnings. In other words, if you report no gambling income, you can't report gambling losses. When you gamble and lose, you must keep documentary evidence of your losses (canceled checks, credit card charges, losing tickets, ATM receipts, etc.). Many casinos keep track of your wins and losses for electronic games if you belong to their player clubs.

But gambling deductions might not be all that beneficial. You can't simply "net out" your winnings and losses. Instead you must report your entire winnings as income, and use your losses as itemized deductions. In many cases (especially for older taxpayers with little income other than social security benefits, and with very few itemized deductions), the losses might not be tax beneficial. If you take the standard deduction rather than itemizing deductions, you will receive no tax benefit whatsoever. However, the winnings could have a significant impact on your income and may cause you to pay additional taxes (such as making some of your social security benefits taxable when they otherwise wouldn't be).

'Risk' from pg 2

provided by outside sources. They also diversify their holdings so that if one investment fails, their portfolios are not irreparably damaged.

The mix of assets in your own portfolio should reflect your risk tolerance, but it also should be tempered by an awareness that both extreme caution and excessive risk-taking can be pathways to ruin.

In general, no one stock or other single investment (excluding mutual funds, which are bundles of investments) should comprise a major part of your portfolio. Varying the types of assets in your portfolio (foreign vs. domestic stocks, bonds, mutual funds, Treasury bills) may provide an additional margin of safety.

You can't escape risk in the world of investments, but you should try to choose the investments that fit both your risk comfort level and your personal financial situation.

Donnelly-Boland history, capabilities

Donnelly-Boland and Associates, located in Pittsburgh, was founded by Fay K. Boland, CPA and incorporated in 1992 to provide expert accounting services to small businesses and non-profit and government agencies that needed an affordable alternative to in-house accounting functions.

Fay and Kevin Boland

We found that many clients weren't effectively tracking the financial information needed to successfully run their organizations, and often struggled with burdensome, time consuming and expensive in-house accounting tasks.

What we heard most was that clients wanted to spend more time focusing resources on their core business to become more efficient, productive and have greater peace of mind.

It has been our experience that most CPA firms working with these organizations do so as a sideline. Since this is the main focus and core competency of our firm, we have the ability and expertise to serve all of your financial needs.

At Donnelly-Boland, we know small businesses and nonprofits routinely work with a limited staff. It is often beyond their resources to retain a full-time accounting employee.

We have the perfect solution—a skilled staff of professionals. With more than 80 employees (including five CPAs and 15 QuickBooks ProAdvisors), we have the depth of staff to provide the services you need at the level your business or agency requires.

Donnelly-Boland can also fill transition management and process outsourcing assignments, employing our Accounting, HR and IT staff. These individuals assist in creating a seamless transition when one of your key employees leaves or retires or maintaining support functions to ensure your piece of mind and focus on primary operations of your business.

Donnelly-Boland and Associates is also certified as a woman-owned business enterprise (WBE) by the Commonwealth of Pennsylvania Department of General Services.

Contact us today to find out how we can help you keep more of what you make.

Kevin Boland, Registered Representative Securities offered through H.D. Vest Investment Services^{SM}, Member SIPC, A non-bank subsidiary of Wells Fargo & Company.

Donnelly-Boland and Associates is not a registered broker/dealer or independent investment advisory firm.

Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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DONNELLY-BOLAND AND ASSOCIATES
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Come visit us at the Greene County Business Expo at the Waynesburg New Armory on October 21st.

References, Citations, and Suggested Additional Readings for Material in the September 2010 Newsletter

We thought you would appreciate having references, citations, and additional reading sources on topics in each issue of Donnelly-Boland and Associates' *Monthly Newsletter*.

Article: "Gambling winnings and losses can affect your tax bill"

– Code Sec. 165.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at one of our locations:

Baldwin at 412.882.5383, Brentwood at 412.884.4829, Glassport at 412.664.7554 or Waynesburg at 724.627.6491.

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