

February 1, 2007

Mr. and Mrs. John Doe  
1234 Any Street  
Small Town, SC 10001-0001

Dear John and Jane:

The purpose of this letter is to assist you with gathering information for the preparation of your 2006 income tax returns.

**1099s**

According to our records, you will receive 1099s from Charles Schwab and Smith Barney with a projected mailing date of January 31<sup>st</sup>. If you do not have this information in hand shortly after this mailing date, please contact Barbara Griffin in our office. She can assist you in locating any missing forms.

**1099-R**

You may receive a 1099-R related to the rollover of the 401(a) ING account. We are enclosing documentation to provide to JIM reflecting the deposit of this rollover amount in your IRA Rollover account.

**MARGIN INTEREST**

We are enclosing a report documenting the margin interest paid on your taxable accounts in 2007.

**K-1s**

According to our records, you will receive a K-1 from Mineral Acquisition Partners, LP 2001 and Timbervest Partners, LP. The projected mailing date is April 1<sup>st</sup> for Timbervest Partners, LP.

You will also receive a K-1 from the CRM 1999 Enterprise Fund. However, similar to prior years, the K-1 for your investment in the CRM 1999 Enterprise Fund will not be finalized until after the April 15<sup>th</sup> tax-filing deadline. CRM is a consolidation of other partnerships and cannot complete their K-1 until they have received the necessary data from their reporting entities. The good news is that this year we have a tax estimate from CRM for your use in preparing your extension.

You will also receive a K-1 from the HFA, Ltd. partnership. Although we hope the K-1 will arrive prior to April 15, over the past two years it has come the week of April 20. To assist you in preparing an extension, if necessary, the partnership accountants are estimating a capital gain of approximately \$7,500 per partnership unit (units are based on a \$50,000 commitment). For your investment, that would be an estimate of \$15,000.

## **INDIVIDUAL RETIREMENT ACCOUNT CONTRIBUTIONS**

You each made a \$4,000 non-deductible contribution to an IRA for the 2006 tax year. Please be aware that Form 8606 needs to be filed for these nondeductible contributions.

Johnny made a \$4,000 contribution to a Roth IRA for the 2006 tax year.

Sally made a \$4,000 contribution to a Roth IRA for the 2006 tax year. As you are aware there are income limitations on the ability to fund a Roth IRA. If your adjusted gross income is too high, you will begin to lose the ability to fund this Roth IRA. If this occurs, let us know so we may take corrective action and reclassify this contribution.

## **MINIMUM REQUIRED DISTRIBUTION**

You should also receive a 1099 related to the withdrawal of the minimum required distributions from your Individual Retirement Accounts at Charles Schwab and Company, Inc.

## **CHARITABLE GIFT OF APPRECIATED SECURITIES**

You made a gift of 451 shares of Pfizer for which we do not have the cost basis to Local Church. The value of the gift for income tax purposes will be on the statement provided by the charitable organization. Please provide this information to Jim when completing his tax organizer.

## **ABACUS PLANNING GROUP ADVISORY FEES**

Our records indicate you paid \$22,000 to Abacus Planning Group, Inc. Because your adjusted gross income limits the deduction that you will receive in paying our fees, a tax filing position exists to capitalize the portfolio management fees as carrying charges under IRS Code Section 266. The net result of this capitalization election is to move these expenditures "above the line" as cost basis on Schedule D that is deductible as the portfolio assets are sold. We have made this calculation for you to include as a separate item on Schedule D and also enclosed this to be used as an attachment in your tax return.

## **REALIZED GAINS/LOSSES**

We have enclosed a printout of your taxable sales for the year that provides cost basis and acquisition information.

## **SURRENDER OF LIFE INSURANCE POLICY**

Jane surrendered a life insurance policy with New York Life in 2007. The taxable gain on this policy should be on the 1099 from New York Life. If not, we can assist you in documenting this information.

## **TRUST DISTRIBUTIONS**

Because you are the beneficiary of a Generation Skipping/Credit Shelter/.... Trust, we have enclosed a distributions report for tax-year and a Portfolio Statement as of the end of the tax-year. If we have omitted any items that may be needed for preparation of this return, please have Jim call me and we will be happy to provide the needed data.

## **GIFT TAX RETURN**

During the 2006 tax year you made annual exclusion gifts to family members. We have provided this information to Jack Smith, estate planning attorney, so that he may determine whether to file a gift tax return.

## **SOUTH CAROLINA 529 PLAN**

During the year, you contributed \$46,000 to the South Carolina 529 Plan. This contribution will reduce your taxable income on the South Carolina return and therefore your South Carolina tax liability. You should have a statement from the Future Scholar program reflecting your contributions for 2006 which you will need to include in your tax preparation package for Jim.

## **MONEY MARKET INTEREST—PORTION ATTRIBUTABLE TO U.S. SECURITIES OR SOUTH CAROLINA MUNICIPAL BONDS**

The money market managers will not be able to provide this information until late February. Once we have received the information, we will post it on the Abacus Planning Group website, [www.abacusplanninggroup.com](http://www.abacusplanninggroup.com). If you will navigate to Strategic Partners and select Certified Public Accountants, you will be able to retrieve this information for all Charles Schwab and Company and Vanguard Group money markets and bond funds.

## **REQUEST FOR FEDERAL AND STATE RETURN**

We hope this information is helpful. Please let us know if we can provide you or any additional information in preparing your income taxes. When your income taxes are completed, please make sure we receive a copy for our files.

Sincerely yours,

Cheryl R. Holland

cc: Jim Doe, CPA