Mariners'
Money Matters
Charting your secure financial future

Financial news, information and advice for the savvy Mariner
from Transport Workers Tax Service, LLC and CFS/Retirement & Tax Solutions
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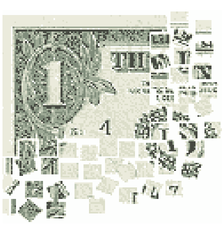
TWTS/CFS

Tax Tips for the 2004 tax year…

Here's a key one for residents of Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming, as well as New Hampshire and Tennessee; you now have the ability to write off sales tax on your Schedule A! Per the IRS:

Sales Tax Deduction **—** Taxpayers who itemize deductions will have a choice of claiming a state and local tax deduction for either sales or income taxes on their 2004 and 2005 returns. The IRS will provide optional tables for use in determining the deduction amount, relieving taxpayers of the need to save receipts throughout the year. Sales taxes paid on ***motor vehicles and boats*** may be added to the table amount, but only up to the amount paid at the general sales tax rate. Taxpayers will check a box on Schedule A, Itemized Deductions, to indicate whether their deduction is for sales or income taxes.



When available we will have the tables listed on our web site [www.transport1040.com.](http://www.transport1040.com) Since numerous states have varying rates based on individual counties, please be sure to include your county on our tax organizer!

Pay deductible expenses before December 31

Paying your state income tax estimate before December 31 accelerates your federal deduction. You can also pay property taxes early, make an extra mortgage payment (the interest portion is deductible), and pay your tax preparer for your year-end planning meetings. Keep in mind that the IRS doesn't allow a deduction for payments made before the services are performed.

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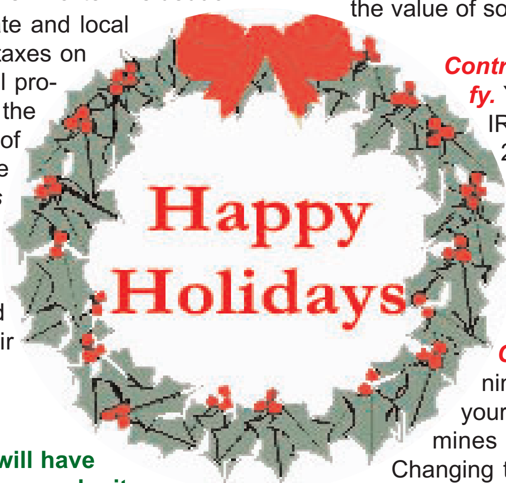
And the old time favorites…

Be charitable. You can make cash contributions or charge them on your credit card and take a current deduction. If you give appreciated property to charity, you'll get to deduct the full market value. You may need an appraisal to determine the value of some property.



Contribute to a deductible IRA if you qualify. You have until April 15, 2005, to open an IRA and make a deductible contribution for 2004.

Contribute to your company's 401(k). If you have a 401(k) plan at work, make as large a contribution as you're allowed to make. (That's $13,000 for 2004.)

Consider your marital status. If planning a wedding or divorce, be aware that your marital status as of December 31 determines your tax status for the whole year. Changing the dates of a year-end event may save taxes.

Offset capital gains. Review your investment portfolio to determine whether you should sell some losers before year-end in order to offset capital gains you've already realized. Capital losses are first netted with capital gains and then are deductible against ordinary income (limited to $3,000 a year). Do not enter into transactions solely for the tax benefits. All investments decisions should be economically sound.

Frustrated by Alternative Minimum Tax in prior years? Postpone income. If you're due vacation pay you may want to hold off collecting until January to keep the alternative minimum tax from applying to you.

Look before you leap. A word of caution about year-end tax-cutting maneuvers: don't rush into transactions which you hope will reduce your tax bill only to find out you've created other problems. Always consult with your tax advisor before taking action. ***(continued on page 4)***

CFS

CFS/RETIREMENT & TAX SOLUTIONS

Estate Planning Basics

Mark E. Engberg (Investment Advisor Representative)
Bruce W. Robson, CFP

Planning: Should be part of everything we do - even a part of dying. How will you preserve your assets from estate taxes and probate fees? How will you assure distribution according to your wishes? Who will make final medical decisions in the event of your incapacity? By taking steps in advance, you have a greater say in how these questions are answered.

Wills: Just about everyone needs a will. Besides enabling you to determine the distribution of your property, a will gives the opportunity to nominate your executor and guardians of your minor children. If you fail to make such designations through your will, the decisions will probably be left to the courts. Property distributed through your will is subject to probate, which can be time consuming and costly.

Trusts: Trust allow you to customize the distribution of your estate with the added advantage of property management and probate avoidance. (more on trusts later…)

Durable Power of Attorney for Finances: Incapacity poses a great threat to your financial well-being. A durable power of attorney is a legal agreement that avoids the need for court conservatorship and enables you to designate who will make your legal and financial decisions if you become incapacitated. Unlike a "standard" power of attorney, "durable powers" remain valid if you become incapacitated.

Health Care Proxy: A health care proxy (durable health care power of attorney) allows you to designate someone to make your health care decisions for you if you are incapacitated. Utmost care should be exercised when giving someone the authority to make these very important medical decisions.

Living Will: A living will is also known as a directive to physicians. It spells out the kinds of life-sustaining treatment you will permit in the event of your incapacity. A living will may be used in conjunction with a health care proxy. Bear in mind that laws governing the recognition of living wills vary from state to state.

Quotable Quotes

"You can't predict. You can prepare." MassMutual Ins.

As we grow rich, our ideas grow rusty.
- Edgar A. Poe

Trusts: A trust must be designed to meet the specific family's goals and objectives – a trust that is appropriate for one person may be unnecessary or even detrimental for another person. There are literally dozens of different types of trusts, each with different purposes. Some trusts are designed to save taxes, but other types are not concerned with tax savings at all.

This discussion is very brief and general in nature regarding two commonly used trusts. You should consult an experienced estate planning attorney to determine if a trust would be beneficial to your family's financial security and well-being.

Trusts: All trusts are either testamentary trusts (meaning that the trust is created under a person's Will and begins to function only after that person's death) or lifetime trusts (meaning that the trust is created by an agreement during the person's lifetime. All lifetime trusts are either revocable (meaning they can be revoked or amended during a person's lifetime) or irrevocable.

Living Trust: A popular type of trust is known as a revocable lifetime trust, commonly referred to as a "living trust." A living trust is established by an agreement between the Grantor (the person setting up the trust) and the Trustee. It provides for management of your finances during your lifetime and usually names someone responsible for your assets in the event of death or disability. In most cases, the Grantor will name himself as Trustee and appoint another party to act as the Successor Trustee to serve upon the Grantor's death or disability. The Trustee is obligated to manage the trust property and use the trust property for the benefit of beneficiaries named in the Living Trust. Some of the benefits of a living trust are:

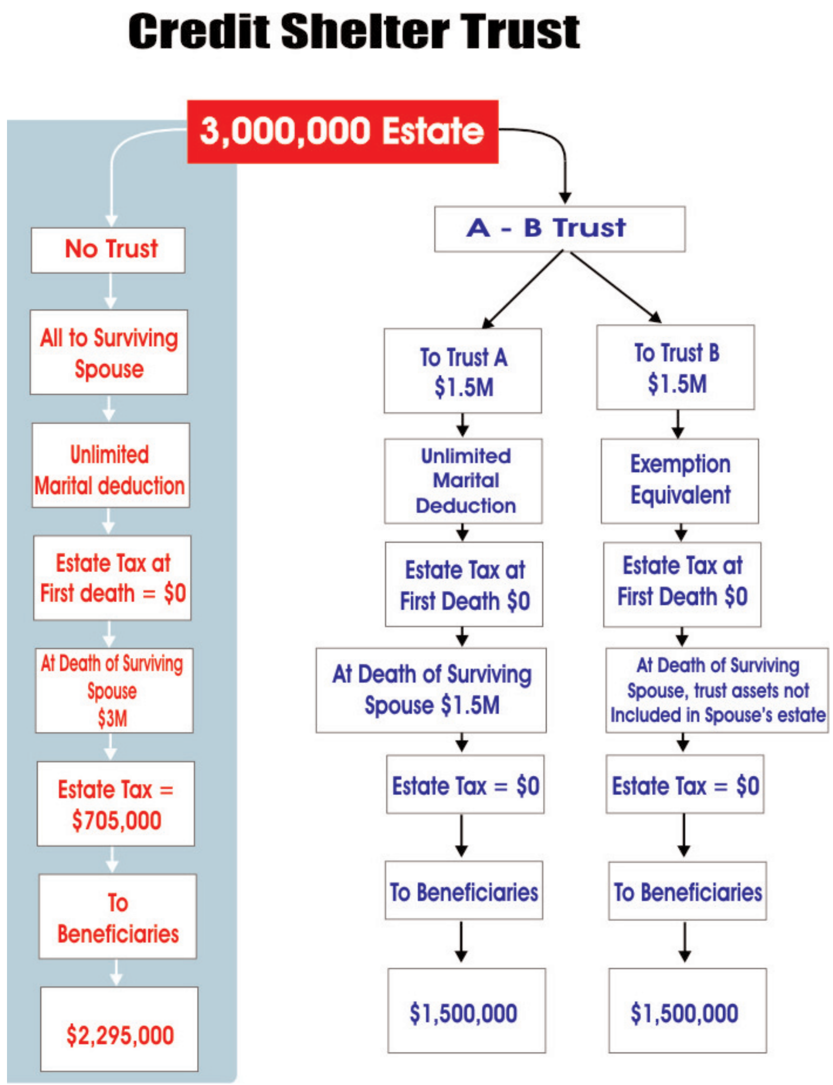
- Assets in the living trust avoid probate
- A living trust helps avoid a contested Will
- A living trust avoids multiple estate proceedings if the Grantor owns real estate in more than one state
- A living trust facilitates the smooth and orderly management of your affairs in the event of incapacitation or death

It is important to know that a living trust does not result in any tax savings for the Grantor or the Grantor's estate as compared to a will.

Credit Shelter Trusts: Federal estate tax applies not only to probate assets, but also non-probate assets such as those held in a living trust, jointly owned property, retirement accounts and life insurance proceeds. However, federal tax law also provides a tax credit that protects many assets from tax liability – the exemption is $1.5 million per person for 2005 increasing to an unlimited exemption in 2010. In 2011, the federal estate tax exemption will revert to the original $1 million level unless Congress makes this legislation permanent.

Federal tax law permits an unlimited spousal estate tax exemption – no estate taxes are due on assets transferred to a spouse in the event of death no matter how large the estate. However, by doing this, the couple may lose the benefit of the tax exemption in the first spouse's estate.

A Credit Shelter Trust is often used by married couples with large estates that would exceed the federal estate tax exemption. This type of trust allows both the husband and wife to utilize the maximum allowable federal estate tax exclusion. A Credit Shelter Trust can be established by a Will or by a Living Trust, but all documents must be completed while both spouses are living. In addition, the titling of assets needs to be monitored periodically to make sure the estate plan will achieve the intended tax savings.



Summary:

Tax laws are complex and subject to frequent change. Always consult a competent and experienced estate tax attorney regarding how to best protect your family.

Quotable Quotes

A good plan today is better than a perfect plan tomorrow.
- Gen. George S. Patton

"See challenges, not problems. See lessons, not mistakes."
- Unknown

By failing to prepare, you are preparing to fail.
- Benjamin Franklin

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Transport Workers Tax Corner

- Complex tax returns for Merchant Mariners should be substantiated with complete IRS back-up documents. This detailed substantiation precludes e-filing your tax return. Some Mariners are anxious to e-file and obtain a Rapid Refund Loan – you can not do this and still take advantage of the lucrative tax savings you gain by writing off your job expenses.
- Most likely your company does not withhold state income taxes. Your tax professional should provide you with estimated state payment vouchers ~ it's up to you to pay them to avoid penalties.
- Your tax professional has no control over the processing time of the IRS to distribute your refund. For the status of your refund, contact the IRS at ***(800) 829–1954*** or www.irs.gov. Typically, your refund will be issued within six weeks from the date the IRS receives your return.
- If you are not a ***TWTS*** client and become a party in an IRS audit or inquisition, please call our office to discuss how we might be able to assist you. *F.Y.I.* - Due to the complex nature of an IRS audit, ***TWTS*** charges a retainer fee to begin working on your behalf.
- If you are uncertain that you received all of your W-2's, 1099's, etc. please contact your local IRS office and they will be more then happy to print you out a tape of all income under your social security number.
- *Please use a daily expense log.* Substantiate time and place for each business related expense. People have a habit of underestimating their out of pocket expenses when they look back over a year. Contact ***TWTS*** for a free daily expense log.

Quotable Quotes

Always have a plan, and believe in it. Nothing happens by accident. - Chuck Knox (football coach)

"Some day you'll either have what you want in life or the reasons why you don't."-Unknown

There are no problems we can not solve together, and very few we can solve by ourselves.
L. B. Johnson (36th President)

Interested in taking advantage of writing off your per diem incidental expenses (overseas travel allowance) and out of pocket expenses?
Contact us for an organizer or go online to www.transport1040.com
or Call toll free 1-866-877-8987

Provide us with:

- *Completed tax organizer*
- *Certificates of Discharges*
- *Vessel Schedules*
- *Copy of your prior years tax return*

Upon receipt of the above we will process your return and mail it back to you **within 14 days!**

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