Master Accounting and Tax Services, LLC
**William Mease, MBA**
**2111 E. Baseline Rd. Suite F-10**
**Tempe, Arizona 85283**
**(480) 456-4999 (Office)     (480) 839-5161 (Fax)**

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December 5, 2011

Dear Client,

We are surprised how quickly the year has passed! As you might have noticed from the letterhead, I have made a minor change to the name of the company. We are now known as Master Accounting and Tax Service, LLC (MATS). I believe it better reflects what we do.

There are many positive changes occurring here at MATS. We will not be mailing out tax organizers this year. Instead, you will receive a letter in January directing you to our website where you can download the organizer. We are also not printing tax return copies for clients. Instead, we are providing clients with their tax returns on a cd in pdf format. The past three years of your tax returns, as well as copies of your W-2s and other financial data will be available to you through our secure online web portal. Information about this service can be found in the attached technology letter.

On the income tax scene Congress continues to work on last minute income tax bills as of the date of this letter, but you can be assured we stay abreast of all the latest changes as they occur! With the economic issues this year you can be sure that we will work more diligently than ever to keep your tax bill at the lowest legal amount. We wanted to bring some special items to your attention below.

**Home Owner Energy Credits**
If you (and spouse if married) made or are considering investing in insulation, storm windows or doors, high efficiency furnaces or water heaters or similar energy improvements there is a 10-30% Federal income tax credit available in many cases. The bad news? It is limited to a maximum of $500!

**Mortgage Interest**
Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track re-financings and the use of loan proceeds. Please provide us with any new home loan information, closing statements from any re-financings, and a summary of what any additional loan proceeds were used for.

**Charity**
A scary IRS court case in 2008 reminds us of the rules on charitable contributions. ALL deductions of any amount must have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over $250, and should also state that no goods or services were received in return for the contribution.

**Foreign Accounts**
If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, rental property, or business interest with a value over $10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

**Mileage Deductions**
Deductible mileage rates changed during the year. Please provide us with the number of medical miles you drove during the year for this deduction. This includes trips to the doctor, dentist, pharmacy, dialysis, as well as any charity related volunteer work mileage.

**Education Credits**
A major revision of college credits by President Obama has provided us with the "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college or near to college, please discuss some options with us to assure that you receive the best benefit for these costs.

**Rental Property**
If you own rental property, this year the IRS has demanded substantially more information. We now need, ***FOR EACH PROPERTY SPERATELY***, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property of the number of days rented and the number of days used for personal purposes.

**Roth IRA Conversions**
You will be continue to hear from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2011 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2011 must be completed by December 31, 2011.***

**Gift Changes**
Effective 1/1/2009 the amount you may give to one person in one year without any return filing requirements has been increased to $13,000. Additionally, Congressional inaction on the estate tax front requires most people that have any substantial net worth to immediately consider estate planning. Please contact us to discuss these issues.

**Worthless Stocks and Bonds**
If you own stocks or bonds that became worthless this year please be sure to provide us with the cost and purchase dates so that we can take any allowable deductions.

**Tax Planning**
There is still time to setup an appointment for year-end tax planning by December 31. We recommend a meeting if you have had any major changes during 2011 or are expecting major financial changes in 2012 such as retirement, inheritances, etc.

**Future Income Tax Rates & Other**

Now that Congress has extended the 2010 tax levels to 2012 for all taxpayers, we are able to much more accurately plan for 2012. Congress has also dramatically changed the estate tax rules for the future. In both cases we highly recommend that when you are getting your information to us for your 2011 Federal tax return that you set an appointment for an after tax season "Tax Tune Up" to examine tax and estate planning strategies.

If you receive a new Form 1099-K please be sure to bring it to us, it may have a direct impact on your return.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes we are requesting everyone to try to have their tax information in to us earlier than normal, and no later than March 31, 2012. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

William Mease