



DONOVAN SULLIVAN & RYAN

August, 2008

A Newsletter for our Clients and Friends

REMINDER ABOUT SUMMER DAY CAMP CREDIT

Just a reminder that if you are married filing jointly, both spouses are employed and you are sending your child under the age of 13 to a summer day camp program, the cost can count as an expense towards the child and dependent care credit. Expenses for overnight camps do not qualify.



The credit is generally 20% to 35% of non-reimbursed expenses; up to \$3,000 in expenses for one child and up to \$6,000 for two or more children. The actual credit is also based on your income. The 35% rate applies if your income is under \$15,000; the 20% rate if your income is over \$43,000.



FROM THE PARTNERS PEN....

Dear Clients and Friends,

The only constant in the tax business is change. Regardless of who our next President is we can expect some significant changes in the tax law within the next year or two. Likely areas of change are increases in capital gains and qualified dividends tax treatment. Both major candidates want to reduce the impact of AMT on taxpayers, which is a good thing. Someone is going to pay for these changes. I hope it's not me!

Our summer schedule doesn't seem to have inconvenienced any clients, but if you feel otherwise please let me know. My experience is that a lot of companies are "closed" on Fridays in the summer, they just don't admit it.

Enjoy the good weather. It will be gone before we know it!

Sincerely,

Mike Ryan

Gambling Winnings and Losses



Are you planning on hitting the casino or racetrack this summer? Keep in mind that all gambling winnings are fully taxable and must be reported on both your 1040 and state return.

Gambling income includes, among other things, winnings from casinos, lotteries, raffles and racetracks. It includes cash winnings and the fair market value of prizes such as cars and trips.

Anyone who pays your winnings or awards you a prize is required to issue you a Form W-2G if your winnings are subject to Federal income tax withholding or if your winnings are over a certain amount. In some cases a 1099-Misc is issued.

If lady luck is not always on your side, you may deduct gambling losses on your Federal return (please note there is no deduction for gambling losses in the state of Massachusetts). Losses may be deducted only if you itemize deductions and only if you have gambling winnings. Claim your gambling losses as a miscellaneous deduction on Form 1040, Schedule A. Keep in mind that the losses you deduct may not be more than the gambling income you report on your return. Also, in order to deduct your losses you must be able to provide receipts, tickets, statements or other records that show both your winnings and losses.

AROUND THE OFFICE

The DSR Ladies Golf League and Wine Tasting Club (a.k.a. **Bonnie Tyrrell, Sue O'Brien, Anne Kraus** and special guest Dee Griffiths) spent a long weekend recently at Anne's house in Harwich Port working on their game. The weather was perfect, the courses were lovely and the scores were surprising. The annual event includes lessons, a sampling of several area courses and research on local restaurants. Plans are already underway for next year's event.



"More than accountants...business advisors"



SUMMER SCHEDULE REMINDER

Don't forget that our office will be closed on Fridays during August. If you need to reach us, you may do so from 9-5 on Monday through Thursday. Our regular office hours will resume on Friday, September 5th.

MASSACHUSETTS SALES TAX HOLIDAY WEEKEND OF AUGUST 16 - 17

Massachusetts consumers will get a two-day break from the state's 5 percent sales tax from items costing up to \$2,500 that are sold during the weekend of August 16 - 17. Boats, cars, meals and tobacco products are excluded, as are telecommunication services and gas, steam and electricity utilities.

Has Your Home Equity Line of Credit Been Frozen?

In our world of falling home prices and mortgage defaults, many lenders have been reeling in home equity lines of credit (HELOCs) or freezing them outright. Lenders are notifying their borrowers by mail when these changes occur. Lenders say they are reducing existing HELOCs in markets that have been experiencing significant declines in property values in an attempt to prevent homeowners from borrowing against evaporated equity.



A reduced or frozen credit line can be a challenging situation for those in the middle of a home-improvement project or those who counted on the funds to pay for college tuition. If your HELOC has been frozen and you need access to the funds, you can take the following steps:

Take the lead and call your lender. Ask why the available credit has been reduced and explain why you think it shouldn't have been. It's helpful to know your loan-to-value ratio, your credit score and your debt-to-income ratio when discussing your individual situation with your lender.

Be prepared to have your home reappraised. If you argue that the value of your home hasn't dropped as much as others in your area, be prepared to pay for an appraisal to verify that your situation is different.

Take your business elsewhere. If your current lender isn't budging, look for another. If you have good credit and equity built up in your home, there are plenty of lenders out there.

Be prepared to shop around. If you do change lenders, be prepared for a longer process. Getting a HELOC these days is almost more challenging than getting a first mortgage. The reason being that if a home is foreclosed on, the second lien often becomes a complete loss for the lender.

Start saving. If the reason you had a HELOC in the first place was for a rainy day, start creating an emergency fund instead. For some, a frozen HELOC may be a blessing in disguise and a wake-up call to start living within their means.

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