



Q1 2011 | SEC Registered Investment Advisor



Pictured from left: Laura Powell, Craig Davis, Alexandria Criss, Tingwei Chiang, Dorothy A. Lewis and Marilyn Mullenax



Financial Insights would like to welcome and introduce you to Craig Davis.

As Financial Insights' newest member, Craig brings years of experience in the financial services industry. Before moving to Washington, Craig worked as a trader at the Davis Funds in Tucson, AZ.

Craig's responsibilities include management of financial portfolios by purchasing and selling securities based on the financial objectives of each client. He is also tasked with reviewing all securities transactions to ensure that trades conform to regulations of the Securities and Exchange Commission along with active investment research and analysis.

In addition to his financial experience, Craig heads up the Portfolio Management System as the Database

Manager. During his tenure at Davis, Craig pioneered some creative approaches to database development, which streamlined their trading and data management systems. He is looking forward to helping Financial Insights in a similar capacity. Craig serves as the central point of contact concerning database entry and maintenance, execution of general and in-depth custom investment reports, comprehensive research, reconciling accounts, implementing system security and general operational matters. Craig also serves as a mentor to staff in the use and development of database information.

Craig holds a Bachelor of Arts degree in Economics from the UCLA. In addition, he played Linebacker for UCLA Bruins from 1985 to 1989, participating in both the Cotton and Freedom Bowl games. He lives in Gig Harbor with his wife, Kathie and their two sons.

## SALES TAX DEDUCTION EXTENSION

States that impose no income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) are eligible to deduct sales tax for the 2010 and 2011 tax years. This tax break expires on December 31, 2011, although Senator Maria Cantwell has proposed a bill that would make the sales tax deduction permanent.

If you are not already saving your sales tax receipts, you can still benefit from the sales tax deduction by utilizing the IRS sales tax tables. For more information please contact your tax preparer or our office.



Source: The Associated Press

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Laura Powell, EA, CFP® CORPORATE BOOKKEEPER



## Estates Must Make a Choice:

*to pay or not to pay the federal estate tax*

### To pay or not to pay, that is the question

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (the Act) into law. The Act reinstated the federal estate tax for persons who died in 2010, retroactively applying a 35% maximum estate tax rate and a \$5 million estate tax exemption. The Act also allows those estates to opt out of the tax. For some estate executors, a choice must be made between paying the tax or not paying the tax. Why would an executor choose to pay the estate tax? There's a good reason.

### No estate tax, no step-up in basis

If an executor chooses to elect out of the estate tax, estate property will receive a modified carryover income tax basis, and not a step-up (or step-down) in basis. Step-up (or step-down) generally means that the tax basis of the estate's assets increases (or decreases) to fair market value (FMV) at the date of death. This is important for two types of assets—assets that have greatly appreciated in value and assets that have a cost basis that is difficult to prove. The modified carryover basis regime allows the decedent's cost basis to be increased by \$1.3 million, with an additional \$3 million increase for assets received by surviving spouses.

### Comparing tax results

Executors will need to evaluate which tax system will be more beneficial to the estate: estate tax or capital gains tax.

Estates valued at less than \$5 million may want to choose the estate tax system in order to get an income-tax-free step-up in basis on appreciated assets. Certain larger estates might choose the estate tax if the estates calculate that the reduction in capital gains tax on any sale of inherited assets with a stepped-up basis will more than offset the increase in estate tax. Other larger estates might choose no estate tax if the estates calculate that the estate and its beneficiaries will pay less in capital gains tax on any sale of inherited assets than the estate tax that would otherwise be due.

### Deadlines

The Act extends the estate tax return filing and payment deadline to September 17, 2011, for the estates of persons who died between January 1 and December 17, 2010. This is also the deadline for filing IRS Form 8939 if the estate elects out of the estate tax in favor of the modified carryover basis regime.

September 17, 2011 is also the deadline for making qualified disclaimers from these estates. Estates should also check state law for the applicable state deadlines for making a qualified disclaimer.

The estates of decedents dying after December 17, 2010 must follow the usual nine-month deadlines for filing tax returns and making tax payments and disclaimers.

Source: Forefield, Inc.