EYE ON MONEY

NOV DEC 2010

YEAR-END TAX PLANNING

Last-minute moves to help shrink your 2010 taxes!

©iStockphoto.com/kycstudio, colorotime

New Consumer Protections for Gift Cards

Aim to End Hidden Fees and Way-Too-Soon Expiration Dates

In recent years, consumers who did not use their gift cards quickly were sometimes surprised to find that hidden fees had eroded the value of the cards or, worse yet, the value on the cards had expired altogether. Well, there is good news this holiday season! Gift cards purchased on or after August 22, 2010 must adhere to new rules aimed at putting an end to hidden fees and way-too-soon expiration dates.

©iStockphoto.com/Alex Slobodkin

NEW PROTECTIONS

- **Gift cards must have at least a five-year life span.** Money you put on a gift card will be good for at least five years. The five-year period begins on the date the card is purchased or, if you later load additional money onto the card, the last date you load money onto it.
- **Replacement cards.** If the gift card expires before the money on it expires, you are entitled to a replacement card from the issuer at no charge.
- **All fees must be disclosed.** All fees must be clearly marked on the gift card.
- **Limit on fees.** Dormancy, inactivity, and service fees may only be charged if the card hasn't been used for at least a year. Even then, these fees are limited to one fee per month.

CARDS COVERED BY THE NEW PROTECTIONS

- **Gift cards purchased on or after August 22, 2010,** including:
  - **Store gift cards,** which can only be used at a specific store or group of affiliated stores, such as a chain of book stores.
  - **Gift cards with the MasterCard, Visa, American Express, or Discover brand logo** that can be used wherever cards displaying those brands are accepted.

CARDS THAT ARE *NOT* COVERED BY THE PROTECTIONS SHOWN ABOVE

- **Reloadable prepaid cards that are not marketed as gift cards,** such as cards that are intended to be used as a checking account substitute**.**
- **Cards that are part of a loyalty, award, or promotional program,** such as a free $20 card you receive from a store in return for purchasing $100 of merchandise. ■

inside

UP FRONT

2 New Consumer Protections for Gift Cards Aim to End Hidden Fees and Way-Too-Soon Expiration Dates

3 3 Tax-Savvy Ways to Give the Gift of Education

4 Changes to Health Savings Accounts

4 IRA Beneficiary Designations—More Important than You May Realize

FEATURES

6 Year-End Tax Planning 2010
Financial moves you make before the end of the year may help reduce your federal taxes for the year. This article touches on tax planning strategies for investors, homeowners, people saving for retirement, and many other taxpayers.

FYI

16 Venice: The Bold and the Beautiful

18 MFA Boston Opens Its New Art of the Americas Wing

19 Botanical Gardens: All Decked Out for the Season

19 Quiz: Where in the World Are You?

© 2010 Quinn Communications Inc.
This publication was created by Quinn Communications Inc. (www.quinncom.biz) for the use of the sender. It is intended to provide general information on the subject matter covered. It is not intended to provide a financial, legal, or other professional service. The information in this publication may not be appropriate for you. Contact a financial or legal professional before making changes to your plans.

©iStockphoto.com/DNY59

3 Tax-Savvy Ways to Give the Gift of Education

A gift they'll treasure for a lifetime.

1 Contribute to a 529 College Savings Plan. Using a 529 college savings plan to help someone save for college offers you several tax benefits. First, the earnings on your investments in the 529 account grow tax-deferred—so taxes will not whittle away the value of the account each year.

Second, withdrawals are exempt from federal taxes as long as they are used for qualified higher education expenses, such as college tuition and fees, books, and, generally if enrolled at least half-time, room and board.

Third, you may receive a state tax deduction for amounts you contribute if you choose your state's 529 plan.

Fourth, you can contribute up to $65,000 (2010 amount) per student in one year without gift tax consequences as long as you do not give the student any other gifts for five years. Normally, gifts that exceed $13,000 (the 2010 gift tax exclusion amount) are subject to gift tax, but a special rule that applies only to 529 plans allows you to combine five years of gift tax exclusions and use them all in one year.

2 Contribute to a Coverdell Education Savings Account. Coverdell accounts also allow earnings to grow tax-deferred and withdrawals for qualified expenses to be made exempt from federal taxes. Through the end of 2010, money can be withdrawn exempt from federal taxes to pay for any level of education, from elementary school to graduate school. After 2010, if the Bush tax cuts are allowed to expire, withdrawals will only be tax-free if used for qualified higher education expenses, such as college tuition.

Coverdell accounts have income limits. Your modified adjusted gross income must be under $110,000 ($220,000, if married filing a joint return) to contribute.

3 Pay tuition directly to the school. Don't let the $13,000 annual gift exclusion hold you back from helping someone pay for college. Tuition you pay directly to an educational institution for another person's education is not subject to the gift tax, even if the amount exceeds the $13,000 annual gift tax exclusion amount. ■

ABOUT 529 COLLEGE SAVINGS PLANS: For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.

Please ask your financial advisor about the best way to help someone save and pay for education.

©iStockphoto.com/Christopher Ewing

Changes to Health Savings Accounts

STARTING JANUARY 1, 2011

The cost of over-the-counter drugs will no longer be considered a qualified medical expense, unless the drugs are prescribed by a physician.

Applies to:

- Health Flexible Spending Arrangements (FSAs)
- Health Reimbursement Arrangements (HRAs)
- Health Savings Accounts (HSAs)
- Archer Medical Savings Accounts

The tax penalty on withdrawals prior to age 65 that are not used for qualified medical expenses increases to 20%.

Applies to:

- Health Savings Accounts (HSAs)
- Archer Medical Savings Accounts

IRA Beneficiary Designations

More important than you may realize.

Assets that pass by beneficiary designations—for example, IRAs and similar retirement accounts—may represent a significant portion of your wealth. Getting the beneficiary designations on these accounts correct is the key to ensuring that your wealth is distributed to the right people after your death. Here's a brief intro to naming a beneficiary for your IRA. Your financial and legal advisors can tell you more.

When you open an individual retirement account (IRA), you are asked to name a beneficiary who will inherit your IRA after your death. This is a critical estate planning step because the beneficiary designation form, not your will, controls how the IRA assets will be distributed.

The advantages.

Transferring IRA assets by beneficiary designation offers some great advantages.

IRA assets transferred to a named beneficiary avoid probate, a process that can sometimes be costly and time-consuming. Of course, if you choose your estate as the beneficiary, your IRA assets will end up going through probate. You can usually avoid this by naming a person or a legal entity, such as a trust, as your beneficiary.

IRA earnings can continue to accumulate tax-deferred or tax-free. Your beneficiary has the option to transfer your IRA to an inherited IRA and take annual distributions from it, generally over his or her life expectancy. While the assets are in the inherited IRA—which may be for decades, depending on the beneficiary's age—the earnings on those assets will continue to accumulate tax-deferred or, in the case of a Roth IRA, tax-free. (A spousal beneficiary will have additional options for preserving an IRA's tax benefits.)

Understanding your options.

To help ensure that your IRA assets go to whom you intend, it is important to carefully read the beneficiary designation form and the IRA documents that you receive when you open an IRA. The beneficiary designation options and the financial institution's policies regarding beneficiaries can differ from one financial institution to the next.

Generally speaking, though, there are many options when it comes to designating who will inherit your IRA.

You can name a person, such as your spouse, a family member, or a friend.

You can name more than one person—a handy option if you want your IRA divided among your children or siblings.

You can generally name a charity or other entity so that the IRA goes, for example, to your church or alma mater.

You can generally name a trust as the beneficiary, an option you should consider if the person you want to inherit the IRA is not of legal age. If you name a minor as an IRA beneficiary without also naming a financial guardian, the court may need to get involved to select someone to manage the account until the child comes of age. If you name a trust as the IRA beneficiary, the trustee you chose will manage the assets for the child's benefit. Please consult your

tax advisor or an estate planning attorney if you would like to designate a trust as your beneficiary.

And you can name your estate as the beneficiary, but this move will send your IRA through probate.

If you choose more than one beneficiary, you'll typically need to indicate the share each beneficiary is to receive. This is normally done as a percentage. For example, you might indicate that you want 50% of your IRA to go to your spouse and 25% to each of your two children.

If you are married and want to choose someone other than your spouse as a primary beneficiary, you may need your spouse's written permission if you live in a community-property state, such as Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin.

You are generally allowed to designate two types of beneficiaries.

Primary beneficiaries. Your primary beneficiaries are the people or entities (trusts, charities, etc.) that you want to receive your IRA assets after your death.

Secondary or contingent beneficiaries. In addition to primary beneficiaries, you may be allowed to designate secondary or contingent beneficiaries. These are generally the people or entities who will inherit your IRA assets if all of your primary beneficiaries die before you do. Let's say that you choose your parents as the primary beneficiaries and your brother as the secondary beneficiary. If your parents predecease you and you forget to update your primary beneficiary designation, you've got a back-up plan in place: the IRA assets will go to your brother. Naming a secondary beneficiary is also a smart idea in case you and your primary beneficiary die at the same time (say, in a car crash), leaving you no opportunity to update your beneficiary designations.

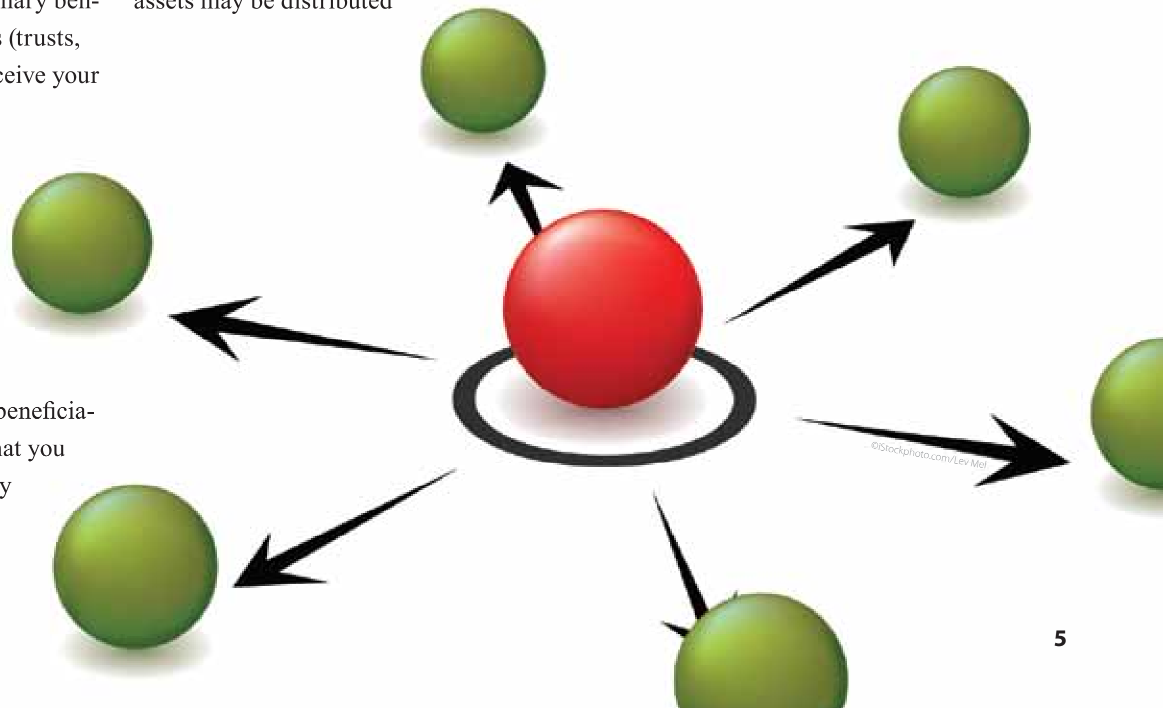
Don't assume that if one of your primary beneficiaries predeceases you that the beneficiary's share will automatically go to his or her children. It may be divided among the remaining primary beneficiaries, unless you give specific direction for it to go to the beneficiary's children. That direction is known as a "per stirpes" stipulation. It loosely means that a deceased beneficiary's share is to be divided among his or her descendents.

If you do not name a beneficiary or if all of your beneficiaries predecease you, your IRA assets will still be distributed, but not necessarily to whom you would have chosen. For example, your IRA assets may be distributed to your estate or, perhaps, to your spouse. To avoid your IRA assets being distributed according to any rules other than your own, it is imperative that you designate a beneficiary or beneficiaries for your IRA.

Once you designate them, don't forget about them. You should review your IRA beneficiary designations regularly, especially after major life events, such as births, deaths, marriages, and divorces, to help ensure that the designations reflect your current wishes.

And because choosing beneficiaries for your IRA can be complex and have significant estate planning consequences, it is a good idea to have an estate planning professional review your beneficiary designations. ■

For information about opening an IRA or changing the beneficiary designations on your existing IRA, please contact your financial advisor.


©iStockphoto.com/Lev Mel

YEAR-END TAX PLANNING

©iStockphoto.com/Left: coloroftime, kycstudio, Right: Alexander Yakovlev

Last-minute moves to help shrink your 2010 taxes!

2010 may be your last chance to take advantage of many of the federal tax cuts enacted in the past decade—but you'll need to act soon.

Many cuts were made to federal taxes under former President George W. Bush. Federal income tax rates were reduced across the board. The so-called marriage penalty was eased. The top tax rate on long-term capital gains was reduced from 20% to 15%—with the rate for lower-income taxpayers dropping to 0% in the past few years. Qualified dividends became eligible for the 15% and 0% rates also, instead of being taxed as ordinary income. The limitations on overall itemized deductions and personal exemptions for higher-income taxpayers were gradually reduced and then eliminated altogether in 2010. Heck, even the federal estate tax was repealed in 2010. But all of these federal tax cuts have an expiration date when the rates and rules will revert to what they were before the cuts. The expiration date for most of the tax cuts is January 1, 2011.

The question is, **will Congress allow the tax cuts to expire?** Or will they extend the current low rates for another year or two? Or will they, perhaps, compromise—extending the current rates for lower-income taxpayers and allowing them to expire for higher-income taxpayers? As this publication goes to press in mid-September 2010, the fate of the Bush tax cuts had not been determined.

But what is certain is that **federal tax rates are low for 2010—perhaps, the lowest they'll be for years to come**—and that offers year-end tax planning opportunities. We've outlined some of them here in general terms. Please consult your tax and financial advisors before the end of the year for advice on your specific situation.

Before making year-end tax moves, it is helpful to know what lies ahead in the coming year so that income and deductions can be shifted into the year that offers the greater tax benefit. Alas, 2011 remains a bit of a question mark as Congress considers the fate of the Bush tax cuts.
Here's where we stand in 2010 and two scenarios of where we may be next year.

2010

The current tax rates are:

2011

If the tax cuts are allowed to expire...

If the Bush tax cuts are allowed to expire, tax rates will increase for taxpayers of all income levels, as follows.

FEDERAL INCOME TAX RATES

Tax Bracket	2010	2011
Bottom	10%	15%
2nd	15%	15%
3rd	25%	28%
4th	28%	31%
5th	33%	36%
Top	35%	39.6%

2010: The maximum rate on long-term capital gains and qualified dividends is 15%. The rate is 0% for taxpayers in the 10% and 15% income tax brackets.

•

The overall limitation on itemized deductions and the personal exemption phaseout are repealed for 2010.

2011 (if the tax cuts are allowed to expire): The maximum rate on long-term capital gains returns to 20%. The rate returns to 10% for taxpayers in the 15% income tax bracket.

•

Dividends are once again taxed as ordinary income.

•

The overall limitation on itemized deductions and the personal exemption phaseout are reinstated.

2011

If the proposals in the Obama administration's 2011 budget are used...

The 2011 budget proposes that the 2010 tax rates be extended for most Americans, but allowed to expire for wealthier Americans—that would include single taxpayers with incomes over $200,000 and married taxpayers who file jointly with incomes over $250,000. **Among the proposals that would affect only this group of wealthier Americans:**

Reinstate only the top two income tax rates (36% and 39.6%)

•

Raise the rate on long-term capital gains and qualified dividends to 20%

•

Reinstate the overall limitation on itemized deductions and the personal exemption phaseout

•

Limit the value of itemized deductions to 28%

Time income and deductions.

Accelerate income… maybe. Do you have control over when you receive income? If so and if income tax rates increase in 2011 as scheduled, you may want to accelerate income into 2010 so that it is taxed at lower rates. If you expect your marginal tax rate to stay the same or decrease in 2011, it is generally a good idea to push whatever income you expect to receive at the end of the year into the following year—and the tax bill for that income right along with it.

Please check with your tax advisor first, though. Shifting income between years can have unintended consequences, such as increasing your income to the degree that you no longer qualify for some tax deductions or credits.

Take advantage of the repeal of the overall limitation on certain itemized deductions. Higher-income taxpayers may be able to deduct more in 2010 than in previous years, due to the repeal of the overall limitation on certain itemized deductions for 2010.

Normally, the overall amount you can deduct for certain itemized deductions—taxes paid, interest paid, gifts to charity, business expenses, and most miscellaneous deductions—begins to be reduced once your income exceeds a certain limit (the income limit was $166,800 in 2009). In prior years, you may have lost as much as 80% of the value of your deductions, depending on the size of your income.

With the limitation scheduled to return in 2011 when (and if) the Bush tax cuts expire, higher-income taxpayers may want to prepay and deduct some of their 2011 expenses in 2010.

Please check with your tax advisor before accelerating deductions into 2010. Claiming a large amount of deductions in one year may result in you having to pay the AMT.

Please note that although the overall limitation on certain itemized deductions has been repealed for one year, the limits on specific deductions, such as the deduction for charitable gifts, are still in effect for 2010.

Bunch deductions. Do your deductible expenses almost add up to the standard deduction amount for the year? If so, paying some of your 2011 deductible expenses—taxes, mortgage interest, medical expenses, and charitable donations, to name a few—in 2010 may allow you to itemize deductions and deduct more than the standard deduction amount this year.

Minimize tax on your investments.

It's not just what you earn on your investments that counts; it's what you get to keep after taxes. Although taxes should not drive your investment decisions, they are an important factor to consider. Here are some tips to help minimize the taxes on your investments. **These tips apply only to investments held in taxable accounts**; they do not apply to investments in tax-favored accounts, such as IRAs and 401(k) plans.

Take advantage of the low long-term capital gains rates. Given the choice between selling an appreciated security on December 31, 2010 or January 1, 2011, investors may be better off tax-wise selling in 2010.

The tax rates on long-term capital gains will increase on January 1, 2011 if the Bush tax cuts are allowed to expire. The maximum rate, currently at 15%, is slated to increase to 20%, and the 0% rate, currently enjoyed by investors in the 10 and 15% income tax brackets, is slated to increase to 10%.

So, if you plan to sell appreciated securities that you have owned for longer than

Will the AMT affect you?

It is important to know whether you will be subject to the alternative minimum tax (AMT) before you make any year-end tax moves. Tax strategies that may be effective under the regular tax code can backfire under the AMT. Many of the strategies discussed in this article are designed for the regular tax code and are not appropriate for the AMT. Please check with your tax advisor to determine whether you may be subject to the AMT.

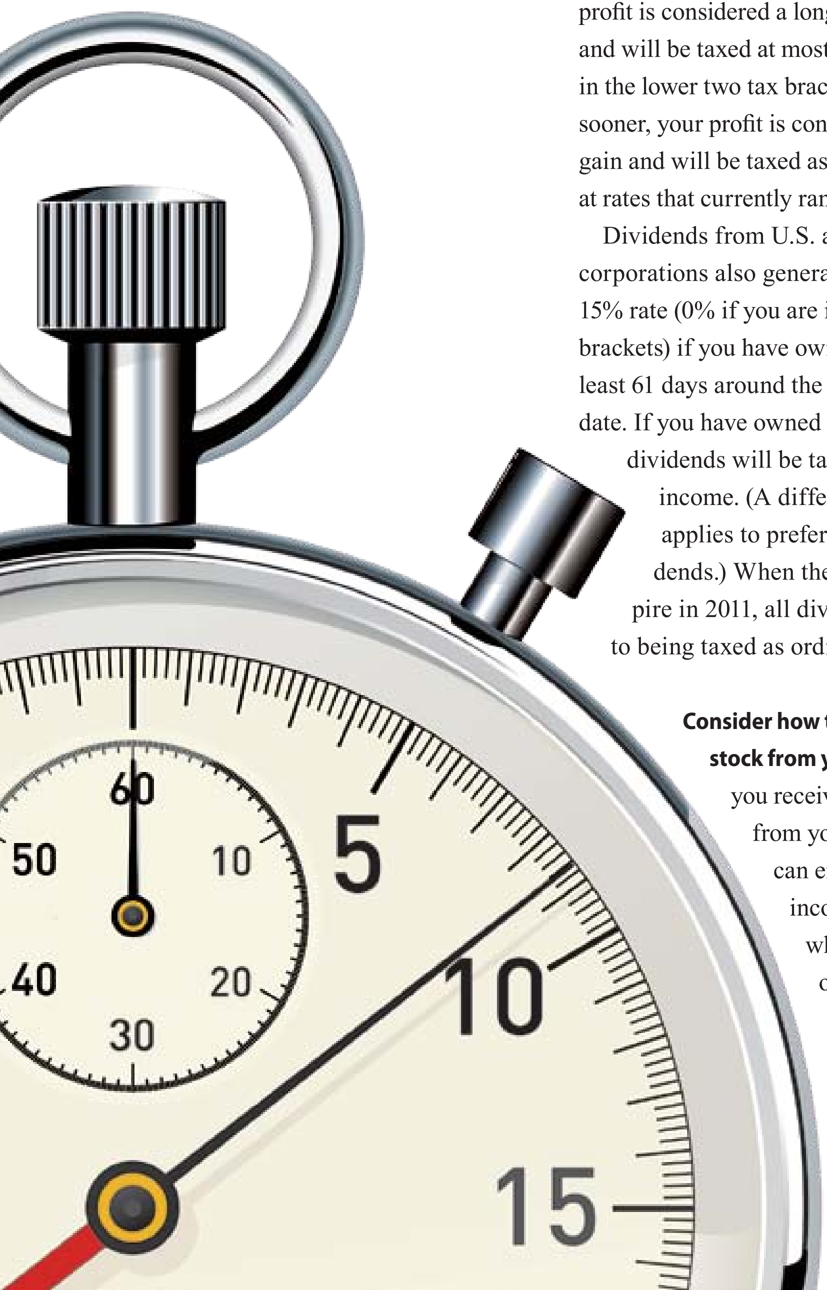
©iStockphoto.com/Left: colorofttime, Right: Duncan Walker

one year, consider selling them before the end of 2010 to take advantage of the current low rates on long-term capital gains.

FYI: If the Bush tax cuts expire, qualified dividends will no longer be eligible for the 15% or 0% tax rates either, returning instead to being taxed as ordinary income.

Hold out for long-term gains and qualified dividends when possible. You can save a bundle in taxes by holding appreciated assets for longer than one year before selling them. If you wait longer than one year, your profit is considered a long-term capital gain and will be taxed at most 15% (0% if you are in the lower two tax brackets). If you sell any sooner, your profit is considered a short-term gain and will be taxed as ordinary income, at rates that currently range up to 35%.

Dividends from U.S. and some foreign corporations also generally qualify for the 15% rate (0% if you are in the lower two tax brackets) if you have owned the stock for at least 61 days around the stock's ex-dividend date. If you have owned it for less time, the dividends will be taxed as ordinary income. (A different holding period applies to preferred stock dividends.) When the Bush tax cuts expire in 2011, all dividends will revert to being taxed as ordinary income.



Consider how to handle restricted stock from your employer. If you receive restricted stock from your employer, you can either pay ordinary income tax on its value when you receive it or when it vests. With income tax rates potentially increasing in 2011, it may be beneficial to pay the tax sooner rather than later on stock you receive this year, by making a section 83(b) election within 30 days of receiving the stock. Once the election is made, any future appreciation in the stock price will be taxed as a capital gain when you sell the stock. This strategy, though, is not without risk. If the stock price decreases before it vests, you will have paid more tax than if you had waited until it vested. And if you forfeit the stock, you will have paid the tax for naught.

Harvest losses to offset gains. If you sell an investment at a loss in a taxable account, you can use that loss to reduce the amount of your taxable capital gains for the year. If your losses exceed your gains, up to $3,000 of the excess loss can be deducted from your ordinary income each year until the loss is used up. Review your portfolio with your financial advisor before the end of the year to determine whether you will sell some losing assets to help offset the gains of your winning assets.

Avoid wash sales. If you decide to sell securities to realize a loss for tax purposes, but think the securities may rebound down the road, be careful about when you buy them back. If you or your spouse buys substantially identical securities within 30 days before or after the sale, the IRS will not allow you to claim the loss on your tax return.

Hold off buying a mutual fund at the end of the year until after its record date. Buying a mutual fund at the end of the year may gain you an immediate tax bill. At least once a year, mutual funds must distribute to shareholders any capital gains they realized from the sale of individual securities throughout the year. Anyone who is a registered shareholder on the fund's record date—this date often falls in December—will receive the distribution and will be responsible for paying tax on it.

©iStockphoto.com/Above: quavondo, Left: kycstudio

Planning on selling a pile of appreciated stock this year? Beware of the AMT. A large long-term capital gain has the potential to trigger the alternative minimum tax (AMT). Even though long-term capital gains are taxed at the same rate under both the AMT and the regular income tax, a gain will reduce or eliminate your AMT exemption. This increases the possibility that you'll be taxed under the AMT and pay higher taxes overall. If you plan to sell a large amount of appreciated assets, talk with your tax advisor first. You may be able to time the sale so that the tax impact is minimized.

Consider your Roth IRA options.

Starting in 2010, you can convert your eligible retirement savings to a Roth IRA regardless of the size of your income. Prior to 2010, your household income had to be $100,000 or less for you to be eligible to convert.

If you think that you will be in a higher tax bracket during retirement, it may make financial sense to convert your Traditional IRA to a Roth IRA now. You can also roll over the savings in your 401(k) account or similar tax-deferred retirement accounts to a Roth IRA if you have left your job or retired. You will have to pay income tax on the taxable portion of the conversion or rollover, but you may pay lower taxes now than if you wait to pay them in retirement.

Convert to a Roth IRA in 2010. If you convert or rollover to a Roth IRA in 2010, you have the option to split the resulting taxes equally between your 2011 and 2012 tax returns. Not only does this give you extra time to pay the taxes, spreading the tax liability over two years may result in lower taxes overall if it prevents you from bumping up to a higher tax bracket. Keep in mind, though, that the federal income tax rates are scheduled to increase in 2011.

Undo your Roth IRA conversion. The amount of tax you pay on a Roth IRA conversion is based on the value of your account when you convert it. If the value of your Roth IRA declines after the conversion, consider undoing the conversion so that you are not stuck paying tax on the lost value.

You can undo a Roth conversion—and avoid the whole tax bill—by recharacterizing your Roth IRA as a Traditional IRA. You have until the due date (including extensions) for your tax return for the year the conversion was done. For example, you have until October 15, 2011 to recharacterize a Roth IRA conversion done in 2010.

You can reconvert back to a Roth IRA, but you'll need to wait until the year following the original Roth conversion and at least 31 days after you recharacterize the IRA.

Defer tax while you save for retirement.

One of the best ways to reduce your current taxes is to contribute part of your income to a tax-deferred retirement account, such as a traditional 401(k) plan or an individual retirement account (IRA).

Max out your contributions to your workplace retirement plan. Income you contribute to a traditional 401(k) plan or similar retirement plan reduces your taxable income for the year. Contribute $10,000 of income, for example, and that's $10,000 you will not have to pay income tax on this year. Tax on both your contributions and their earnings is deferred until you withdraw the money from your retirement account.

2010 Limits on Contributions to Retirement Plans

	Regular Limit	Catch-up Contribution Limit for Age 50 and Above
401(k), 403(b), 457 Plans	$16,500	$5,500*
SIMPLE Plans	$11,500	$2,500*
Traditional and Roth IRAs	$5,000	$1,000

* People age 50 or older may be allowed to make **catch-up contributions** in addition to regular contributions. For example, you may be allowed to contribute up to $22,000 to your 401(k) this year if you are age 50 or older. Check with your employer to see if your plan allows catch-up contributions.

Act soon to snag expiring tax credits for energy-efficient vehicles and additions to your home.

Tax credits can help you defray part of the cost of going green, but you'll need to act soon to claim two of the federal credits—the credit for hybrid and diesel vehicles and the credit for adding energy-efficient doors, windows, and the like to your home.

Contribute to a personal IRA. Income that you contribute to a Traditional IRA may be tax deductible if you (and your spouse, if married) are not covered by a retirement plan at work or if your income is within certain limits. You have until April 15, 2011 to make a contribution for 2010.

Contribute to an IRA for your non-employed spouse. Although there is no such thing as a joint IRA, each spouse can set up and fund their own IRA. Even if only one spouse is employed, both IRAs can be funded as long as the couple files a joint tax return and the total IRA contributions for the year do not exceed the employed spouse's taxable compensation.

Establish a small business retirement plan. Although personal IRAs are great, contributions are limited in 2010 to $5,000; $6,000 if you are age 50 or older. If you are self-employed or own a business, you can sock away considerably more income each year on a tax-deferred basis with a small business retirement plan, such as a SEP IRA, SIMPLE IRA, or solo 401(k) plan.

Go green and reap the rewards.

Buy a qualifying hybrid or diesel vehicle before the end of 2010. The federal tax credit for purchasing a new hybrid or diesel vehicle expires at the end of 2010. If you buy a qualifying vehicle before the end of the year, you may be able to reduce your federal income tax by anywhere from about $900 to $2,350. The exact amount of the credit will depend on the vehicle you buy.

The credit is no longer available for vehicles made by certain manufacturers. The credit for Toyota and Honda vehicles expired a few years ago, and Ford vehicles purchased after March 31, 2010 no longer qualify for the credit. But that still leaves several manufacturers—BMW, General Motors, Mercedes-Benz, and Nissan, among others—who make hybrid or diesel vehicles that are eligible for the credit. Your dealer can let you know which models are eligible.

Add solar, small wind, geothermal, or fuel cell equipment to your home. You can subtract from your federal taxes 30% of the cost to add qualified geothermal heat pumps, solar electric systems, solar hot water heaters, and wind turbines to a home you own in the United States. It does not need to be your main home. You can also subtract 30% of the cost to add qualified fuel cell property. The credit for fuel cell property is limited to $500 for each 0.5 kilowatt of capacity and can only be claimed for equipment added to your main home. The credit, known as the Residential Energy Efficient Property Credit, will expire at the end of 2016.

Button up your house before the end of 2010. You may be able to claim a tax credit for 30%

The Nonbusiness Energy Property Credit may be claimed for qualified:

- Advanced main air circulating fans
- Asphalt roofs with cooling granules
- Biomass fuel stoves
- Central air conditioners
- Electric heat pumps
- Electric heat pump hot water heaters
- Exterior windows, skylights, and doors
- Insulation materials or systems
- Metal roofs with pigmented coatings designed to reduce heat gain
- Natural gas, propane, or oil furnaces, hot water boilers, and hot water heaters

of the cost of energy-saving equipment (see the list on page 12) that you add to your main home before the end of 2010 when the Nonbusiness Energy Property Credit expires. The credit is limited to a total of $1,500 for 2009 and 2010. The equipment must meet specific energy standards to qualify for the credit.

Be smart about education expenses.

The federal government offers a few tax breaks that may help you save and pay for college.

Claim a tax credit for college expenses you pay. Congress created a souped-up version of the Hope Credit just for 2009 and 2010, by expanding the income limits up to $90,000 ($180,000 if married filing jointly) so that more families would qualify, increasing the maximum credit from $1,800 to $2,500 per eligible student—40% of which is refundable, allowing the credit to be claimed for the first four years of undergraduate education—not just the first two years, and naming it the American Opportunity Credit. The credit can be claimed for tuition and other related expenses you pay in 2010 for academic periods that begin in 2010 or the first three months of 2011.

Another credit, known as the Lifetime Learning Credit, offers more flexibility by generally allowing taxpayers to claim a credit for 20% of the postsecondary education expenses they pay (up to a maximum credit of $2,000) even if the student is enrolled in just a class or two. The income limits ($60,000, or $120,000 if married filing jointly) are lower, though, for this credit.

FYI: You cannot claim both credits in 2010 for the same student. And, if your tax filing status is married filing separately, you cannot claim either credit.

If you plan to buy a computer for a college student with 529 plan savings, buy it before the end of the year. After 2010, computers, software, and Internet access will no longer be considered qualified expenses for which 529 plan funds can be withdrawn free from federal tax.

Be aware of potential changes to Coverdell accounts in 2011. Some of the bells and whistles added to Coverdell education savings accounts in 2002 will expire at the end of 2010 unless Congress acts to extend them. Beginning in 2011, it is possible that:

- Withdrawals from a Coverdell account will no longer be free from federal tax if used for kindergarten through 12th grade expenses. Withdrawals for qualified higher education expenses will still be tax-free.
- Contributions will be limited to $500 per beneficiary per year. The limit is currently $2,000.
- Your Coverdell withdrawals will not be tax-free if made in a year when you claim the Hope Credit or Lifetime Learning Credit.

You have until December 31, 2010 to make a federal-tax-free withdrawal for grades K–12. Remember, for a withdrawal to be tax-free, it must not exceed the beneficiary's qualified education expenses for the year.

If Congress lets the current rules for Coverdell accounts expire, consider converting your Coverdell account to a 529 college savings plan. Although both types of accounts may limit federal-tax-free withdrawals to college expenses, 529 plans allow much higher contributions, are available to everyone regardless of the size of their income, and allow an education tax credit to be claimed in the same year as a tax-free 529 plan withdrawal provided the credit and the withdrawal are not used for the same expenses.

©iStockphoto.com/Best Photo, Left: Kyu Oh

Planning to adopt?

The tax breaks for adopting are extended and expanded. This is great news for families who adopt a child! As part of the 2010 health care reform act, Congress extended the adoption tax credit and the exclusion for employer-provided adoption assistance through 2011. Plus, Congress:

- Increased the maximum credit amount and the maximum exclusion amount by $1,020 to $13,170 per eligible child (to be adjusted for inflation for 2011).
- Made the adoption tax credit refundable for 2010 and 2011.

This means that parents who adopt an eligible child may be able to claim a tax credit for up to $13,170 of the adoption expenses they pay out of their own pockets, as well as exclude from their taxable income up to $13,170 of the adoption expenses paid or reimbursed by an employer. And if the credit exceeds the amount of their tax liability for the year, the IRS will refund the difference. (Higher-income taxpayers are not eligible for either tax break; both the credit and the exclusion phase out for taxpayers with modified adjusted gross incomes between $182,520 and $222,520.)

©iStockphoto.com/Left: Murat Giray Kaya, Right: coloroftime

The expired tax breaks are still up in the air.

There is still a chance that a group of popular tax breaks that expired at the end of 2009 will be extended retroactively through 2010. Congress has made a few attempts this year to extend them, but, so far, to no avail.

The group of tax breaks, which includes the deduction for state and local sales taxes and an additional standard deduction for property taxes, have come to be known as the "extenders" because, rather than make them permanent and recognize their full budgetary cost, Congress has for the past few years simply extended them for a year at a time.

Unless Congress acts before the end of the year to extend them, the following tax breaks will remain truly expired and cannot be claimed for 2010.

- **Additional standard deduction for property taxes**
- **Deduction of state and local sales taxes**
- **Tuition and fees deduction**
- **Tax-free distributions from IRAs for charitable purposes**
- **Contributions of capital gain property for conservation purposes**
- **Teacher expense deduction**

Give wisely.

You can generally deduct amounts you donate to charitable organizations as long as you itemize deductions on your federal tax return.

Be ready to prove it. You'll generally need a cancelled check, a credit card statement, or a receipt from the charity for a cash donation; a written acknowledgement from the charity for a gift of $250 or more; and a written appraisal from a qualified appraiser for a donation of property worth $5,000 or more.

Donate appreciated securities rather than cash. You may get more bang for your charitable gifts by donating appreciated securities, such as stocks and mutual funds, rather than cash. If you donate securities that you have owned for longer than a year, you can avoid paying capital gains tax on the appreciation, and you can deduct the fair market value of the securities.

Time your large donations carefully. Until the federal income tax rates for 2011 are set in stone, it's difficult to say whether you are better off tax-wise making charitable gifts in 2010 or in 2011. Typically when federal income tax rates increase, tax deductions become more valuable, suggesting that you may be better off delaying your charitable donations until 2011 if you expect your tax rates to increase.

But 2011 may not be a typical year. The Obama administration has proposed limiting deductions to 28% for higher-income taxpayers. If this comes to pass, wealthy taxpayers may get a greater tax benefit by claiming a charitable deduction in 2010 rather than 2011.

Plus, higher-income taxpayers may be able to deduct more of their charitable gifts this year than next because the limitation on over-

all itemized deductions is repealed for 2010 and scheduled to return in 2011.

Please consult your tax advisor if you are planning to make a large gift to charity in the near future. Your advisor can help you determine which year is more advantageous tax-wise.

Plan to minimize tax on your estate.

As part of the Bush tax cuts, the federal estate tax is repealed for 2010 and will return in 2011 at earlier, more onerous levels (a $1 million estate tax exemption and a maximum tax rate of 55%), unless Congress takes action to change its course.

There is a possibility that Congress may retroactively reinstate the estate tax to January 1, 2010, at 2009 levels (a $3.5 million exemption and a maximum tax rate of 45%). The administration's 2011 budget assumes this will happen, and legislation to that effect has been kicking around Congress since last year.

Whether Congress will reinstate the estate tax for 2010 and, perhaps, extend it at 2009 levels—or other levels—beyond 2010 remains to be seen as this publication goes to press in mid-September 2010.

Keep your estate planning documents up-to-date. If your estate is greater than $1 million (the amount the estate tax exemption is scheduled to drop to in 2011), it is important to keep your estate documents up-to-date so that they address the changing estate-tax landscape.

Give up to $13,000 away in 2010 without gift or estate tax repercussions. Each year, you are permitted to give up to a certain amount—$13,000 in 2010—to as many individuals as you choose without your gifts being subject to the federal gift tax or reducing the amount that can be exempted from your federal estate taxes later on.

If you are married, both you and your spouse can separately give up to $13,000 apiece to someone without your gifts being subject to the federal gift tax. Or one of you can give up to $26,000 to someone if you and your spouse agree to “split” the gift from a tax perspective. ■

Please contact your tax and financial advisors for advice on your specific situation.

You may be able to reduce your 2010 taxes if you act soon. The first step is to contact your tax and financial advisors before the end of the year. Your advisors can review your financial situation in light of the latest tax laws, which may have changed after this publication went to press in mid-September, and suggest financial moves that may help minimize your federal and state taxes.

Possible federal estate tax scenarios

2010

Although the estate tax is repealed for 2010, Congress may still...

Retroactively reinstate the estate tax to the start of 2010, perhaps at 2009 levels—a $3.5 million exemption and a maximum tax rate of 45%.

2011

If the tax cuts are allowed to expire, the estate tax will revert to a...

$1 million estate tax exemption

•

55% maximum estate tax rate

2011

If the proposals in the Obama administration's 2011 budget are used, the estate tax will be extended at 2009 levels:

$3.5 million estate tax exemption

•

45% maximum estate tax rate

Venice: The Bold and the Beautiful

BY BRIAN JOHNSTON

Lion-topped pillars, great cathedral domes, slender spires, and a Gothic fantasy of turrets and towers: Venice unfolds its splendour before you even disembark from your ship. This must be one of the most brilliant sea approaches of any city, but step out on a shore excursion and you'll find plenty of other reasons to fall in love with this Renaissance gem. Packed with architectural beauty in shades of peach and yellow, chock full of cultural treasures, cobbled together with elegant bridges, Venice is a city of floating palaces and churches that defies description and celebrates the human imagination.

Of course, it would be misleading not to mention the downside of Venice: ridiculous prices, pooping pigeons, and a sense of slow decay are everywhere. Then there are the ten million visitors who come here annually, so that you sometimes have to elbow your way through the narrow alleys. Still, all those visitors come for a reason.

Take time to admire the famous sights—from exquisite paintings to whole palaces and squares—as well as the obscure back alleys and tranquil canals. It won't take you long to realize why famous writers and artists have long been seduced by this remarkable city; almost everyone who visits Venice falls under its spell.

Back in 1170, Venice was divided into six districts or sestieri, each with their own distinctive characteristics, and each survives to this day. Any visitors will spend most of their time in the sestieri of San Marco, the political and religious heart of the historic city. Sit in the Piazza San Marco and have a coffee as the crowds amble past, orchestras tootle, and pigeons flutter across the pink façade of the Doge's Palace. Then visit the Basilica San Marco, an opulent Byzantine and Romanesque fantasy of gold-tiled mosaics and precious gemstones, with a dark and mysterious interior that blends the best of east and west. This was once the doges' private chapel, originally built in 828 to house the body of Saint Mark, supposedly stolen and smuggled out of Egypt in a barrel, a scene outlined on the amusing mosaics above the doorway.

The other great sight is the Accademia in the adjacent sestieri of Dorsoduro, which houses a fantastic collection of art established in 1807 by Napoleon with plunder from many of the city's churches and convents. The

Venice's Grand Canal, left, is flanked by mansions and churches and serves as the city's main street. One of the four hundred bridges, below, that span Venice's canals.

©iStockphoto.com/Left: William Casey; Right: Salvatore Conte

Accademia doesn't have the size or range of other European art museums, but the quality on show is breathtaking, with Titians and Tintorettos glowing with the colors and skies of Venice during its heyday.

The Accademia and nearby Guggenheim (for superlative modern art) bring the crowds to the edge of Dorsoduro, yet few head much beyond. Yet it can be a wonderful place to walk around, with some beautiful canals, a gondola boatyard, and a wide promenade along the Giudecca Canal lined by tempting gelato shops. Across the canal, the Giudecca is another of Venice's sestieri, a working-class area of mostly derelict factories, rarely visited by tourists.

The sestieri of San Polo and Santa Croce should be next on the agenda, with the Rialto Bridge its top drawing card. Wander about these areas and you'll realize Venice still has some little secrets: churches that no one visits, crumbling palazzi with Gothic architecture and beautiful statues, and courtyard gardens hidden behind wrought-iron gates.

Certainly visitors who simply follow the tourist map from major sight to major sight are making a big mistake. With miles of canals, 118 islands, and 400 bridges, it's the wanderers who see the best of this mysterious city of secluded back alleys and canals that open up to languid exploration. One minute you can be in a crowded piazza full of tourists, and the next stepping into an alley where barely a cat slinks. The buzz of water taxis fades to a hum, and you can finally hear the heartbeat of the city: the tinkle of cutlery from a kitchen window, neighbors chatting about the evening meal, and water slapping against the hull of a moored gondola. The smart can even find a few hotels tucked away in splendid solitude—not easy to find when you're lugging a suitcase, but real treasures once ensconced.

Cannaregio is perhaps the best quarter in which to abandon your map, since a third of Venice's dwindling population still lives here. Some of the most pleasant canals in the city are in this sestieri, lined not by impressive palaces but yellow and pink residential buildings and canals afloat with white boats. The Misericordia is the best canal in the evening, when young families come out for a perambulation and students congregate in the waterside bars.

Mind you, even tourist Venice can be wonderfully quiet if you pick the right time: a midnight gondola ride on the Grand Canal, or sunrise from San Giorgio Maggiore, with stunning views back towards San Marco. Night owls should take the 2 a.m. vaporetto (public ferry) that circles a darkened Venice as water gurgles and Gothic mansions loom out of the dark.

Anytime after sunset, when day-trippers depart, can also be surprisingly quiet, with most bars shuttering up by 9 p.m. Locals hang out in the little squares dotted about the city, dangling their babies, slurping ice creams, and kicking footballs. Even Piazza San Marco is quite wonderful in the evening. Surrounded by marble and music, you can sip champagne in what Napoleon once described as the grandest drawing room in Europe.

Few visitors to Venice can resist buying a mask, but if you want to wear one you have to be here between late January and early February. (Though high tides sometimes flood parts of the city, winter isn't actually a bad time to be in Venice: the city seems to rise out of a silvery mist and there are few people.) The elaborate costume balls and gala dinners of Carnival are the highlight of the city's social calendar, and every square is full of acrobats, music, theatre, and buskers, all of which evoke Venice in its flamboyantly dissolute heyday.

Carnival apart, spring (March to late May) and autumn (September and October) are the best times for a shore excursion to Venice. September features another festival, the Historic Regatta, which fills the streets with music and art and the Grand Canal with period boats and gondolas. But whenever you go, a trip along the Grand Canal by public ferry or gondola (and ideally, both) is certainly the absolute highlight of Venice.

Running all the way from the train station to Piazza San Marco, the Grand Canal is really the city's main street, flanked by historic mansions and churches and jammed with vaporetti, delivery boats, and gondolas. As the evening descends, the waters of the canal turn purple and the sky is brushed with Tintoretto clouds. Lights twinkle from Gothic mansions and the waterside cafés hum with life: Venice to perfection. ■

MFA's new Art of the Americas Wing, below, features a central glass building flanked by two pavilions of glass and granite. The wing's transparent design is echoed in the enclosed Ruth and Carl J. Shapiro Family Courtyard, below right.

Images © Chuck Choi 2009

MFA BOSTON OPENS ITS NEW ART OF THE AMERICAS WING

American masterpieces will have a new home beginning in November 2010 when the Museum of Fine Arts Boston opens its Art of the Americas Wing.

The new wing will display more than 5,000 works representing all of the Americas—North, Central, and South America—and spanning the course of three millennia.

The 53 galleries in the new wing are arranged chronologically on four floors, from ancient American art through the mid-1970s. Among the iconic works on view are:

- Paul Revere's silver *Sons of Liberty Bowl* (1768)
- Winslow Homer's painting, *Boys in a Pasture* (1874)
- More than 40 works by John Singer Sargent
- Joseph Stella's painting, *Old Brooklyn Bridge* (about 1941)
- Louis Comfort Tiffany's stained-glass window, *Parakeets and Gold Fish Bowl* (about 1893)

In addition to paintings, sculptures, and works on paper, the new wing features nine period rooms, illustrating the lifestyles of prosperous New Englanders in the 17th through 19th centuries, and four behind-the-scene galleries, offering visitors a peak at the work done by Museum curators and conservators.

Also opening to the public on November 20, 2010 is a soaring glass structure enclosing one of the Museum's two courtyards. The light-filled gathering place, known as the Ruth and Carl J. Shapiro Family Courtyard, offers Museum visitors a spectacular setting to meet, relax, dine, and enjoy the outdoors year-round.

Both the new wing and courtyard were designed by London-based architects Foster + Partners. ■

- **Opens to the public: Saturday, November 20, 2010**
- **Preview for Museum members: November 14–19, 2010**
- **For more information: www.mfa.org**

Botanical Gardens:
All Decked Out for the Season

Each December, visitors flock to botanical gardens to walk through gardens festooned with twinkling lights and bask in conservatories filled with poinsettias and holiday displays. Here are just a few of the winter wonderlands awaiting you this year.

Bellevue (WA) Botanical Garden • Garden d'Lights
November 27, 2010–January 1, 2011
The Bellevue Botanical Garden "blooms" each night with thousands of lights used to create flowers and fruit and woodland critters, all the things you might normally find at the Garden—if it were not winter!

Chicago Botanic Garden • Wonderland Express
November 26, 2010–January 2, 2011
All aboard the Wonderland Express, where garden-scale trains chug past replicas of Chicago landmarks and greenhouses are decked with lights, poinsettias, orchids, and trees decorated by local designers.

Denver Botanic Gardens • Blossoms of Light
December 3, 2010–January 2, 2011
Take a night-time stroll through the Denver Botanic Gardens, where more than 1 million twinkling lights highlight the Gardens' winter beauty.

The New York Botanical Garden • Holiday Train Show
November 20, 2010–January 9, 2011
The Victorian-style conservatory is transformed into a magical world where model trains and trolleys wind their way past more than 100 replicas of New York landmarks, all created from plant materials, such as bark, moss, and twigs. ■

QUIZ

©iStockphoto.com/Left: Kathryn8, Above: Sculpies

Where in the world are you?

1. If you are flying over the Na Pali Coast, you are above:
A. Cuba
B. Hawaii

2. If you are listening to prayer flags snap in the wind, you are in:
A. Switzerland
B. Tibet

3. If you are wolfing down a beignet, you are most likely in:
A. New Orleans
B. Philadelphia

4. If you are pedaling along the vineyards between Montalcino and Siena, you are:
A. Alsace-Lorraine
B. Tuscany

5. If you are dodging Vespas on the Via Del Corso, you are in:
A. Rome
B. Hong Kong

6. If you are sailing between Santorini and Crete, you are in the:
A. Aegean Sea
B. Bering Sea

7. If you are being awarded the Palme d'Or for best film, you are in:
A. Cannes
B. Los Angeles

8. If you are standing in the shadow of the Great Pyramid of Giza (shown above), you are just outside of:
A. Alexandria
B. Cairo

ANSWERS: 1–B, 2–B, 3–A, 4–B, 5–A, 6–A, 7-A, 8–B.