

CHARLES E. SOLAK
CERTIFIED PUBLIC ACCOUNTANT

WWW.SOLAKCO.COM
CSOLAK@SOLAKCO.COM
SKYPE: charlessolak

2542 MARATHON LANE
FT LAUDERDALE, FL 33312

TELE (954) 327-8212
FAX (815) 346-2380

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To My Clients and Friends:

CAPITAL ASSET TRANSACTIONS

The maximum federal tax rate for long-term capital gains is 15%. If you are in the 15% or less tax bracket the rate is zero (0%)

Capital gains and losses result from the sale or exchange of capital assets, i.e. marketable securities. Capital gains and losses are segregated between short and long term with the "holding period" being the deciding factor. A capital asset must be held for more than 12 months to be long-term. While *net long-term capital gains* presently are taxed at lower tax rates than other income (salaries, wages and interest), the deduction of net capital losses is severely restricted. Further, *net short term capital gains* are taxed at the same rates as other income. Ordinary income tax rates can be as high as 35%.

For a security transaction to be effective for 2011 the "*trade date*" must be on or before ***December 31, 2011***.

Realizing capital gains (short or long) for 2011 may also be a good idea if you have already realized net capital losses for 2011 or have a capital loss carryover. At a minimum, capital gains should be realized to the extent of the realized capital losses and capital loss carryovers or least to the extent that net capital losses for the year do not exceed \$3,000, the maximum amount of capital losses that can be used to offset ordinary income.

Recognizing gains and losses for income tax purposes should be properly planned to make certain you understand the income tax consequences, i.e. possibly paying income taxes in an earlier year than you otherwise would.

If you have any questions, please call me.

Very truly yours,
Charles E. Solak

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