



STATEMENTS

First Quarter 2011



RINA President's Message 2011

by Ed Fahey

With the start of a new year, RINA looks forward to helping our clients and the business community navigate the challenges ahead. A recovering economy will create opportunities to once again grow your business and return to profitability. The new tax law creates opportunities for gifting that will lead to a significant transfer of wealth in the coming years. High unemployment may still afford the opportunity to recruit talent that wasn't available a few short ... no, make that long ... years ago. Whatever the opportunity, business owners, board members and families need to evaluate the impact on their operations and decide if the risk is worth taking in pursuing their unique goals.

RINA starts 2011 with opportunities as well. In the pages that follow, you will find profiles of three new stockholders at RINA. Jamshed Gandhi and Rajiv Behti, as well as 8 staff members, joined RINA's San Francisco office on December 1st. Their expertise and experience will strengthen the RINA team. We also welcome the clients that followed Jamshed and Rajiv and look forward to getting to know you and your goals in the coming months. Additionally, Tracy Teale was

promoted to stockholder effective January 1st. Tracy has been a solid contributor to RINA's growth over the years and provides exceptional hands-on assistance to many of our clients.

We also celebrate the success of our niche development efforts. Striving to be sure we have the depth needed to serve our largest industry areas, we have focused on staff and niche specialization in real estate, estate planning, food and beverage, not-for-profits and employee benefit plan audits. We are also developing our expertise in valuations, litigation support and international tax. We greatly appreciate those who have referred others in these industries to us. It reinforces our belief that we can add value to these relationships.

Finally, we are proud to have ranked #13 in Accounting Today's 2010 Best Accounting Firms to Work For survey of firms nationwide. Having great people gives us the opportunity to grow as professionals and as a firm.

I hope 2011 brings each of you the opportunities you seek to move forward.



Tracy Teale Joins RINA's Stockholder Group

Tracy joined RINA in 1999 and has 13 years of experience in public accounting and 10 years in private industry. She provides audit and tax services to closely held businesses and not-for-profit organizations. Tracy assists many of her clients with accounting issues and the design of processes and systems. She has extensive experience in single audits and heads RINA's not-for-profit group. Tracy is on the board of directors for Contra Costa Child Care Council and Treasurer for FWA of San Francisco. She is married with two sons and resides in Clayton, CA.

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Client Corner

Catholic Charities CYO

by Pamela Raumer, Business Development Director

Founded in 1907, Catholic Charities CYO (CCCYO) is the social services arm of the Catholic Church in the Archdiocese of San Francisco, yet they operate as an independent organization. CCCYO is one of the Bay Area's largest nonprofit social services agencies - serving over 30,000 people per year, regardless of their faith. The agency's mission is to reduce poverty through healthy growth and development opportunities - caring for the poor, the working poor, aging adults, disabled adults and youth in the counties of San Francisco, Marin, Sonoma and San Mateo. The agency meets the needs of the poor through 30 programs and services, including family housing services, child development, aging services, HIV/AIDS housing and health services, residential programs for children, CYO summer camp and athletics and counseling services.

Executive Director, Jeff Bialik, helps perpetuate the agency's mission and supports the work of the organization in all of its manifestations - running the organization efficiently and effectively, meeting financial goals and operational objectives, developing funds and performing outreach and advocacy services. According to Jeff, perpetuating the mission is possible because of "the incredible staff and volunteers at CCCYO. What they do every day and the way they approach their work - with respect, compassion and accountability. It's not about us, but the people we serve. It's not about market share - it's about seeing a need and doing everything we can to meet that need".

Jeff's long-term goal for CCCYO is sustainability. He believes that there needs to be more focus on results which would require more resources used for preventative measures. His challenge is to build consensus around this concept and in doing so, hopes to break the cycle of poverty. For more information, visit CCCYO website at www.cccyo.org.



Ed and Tracy are absolutely wonderful professional service providers. We just finished our June 30 year end engagement and it was the most efficient engagement ever - a testament to

RINA. They provide audit and tax services and are very efficient. They also just assisted us with a difficult staff transition.

—Jeff Bialik, Executive Director CCCYO

RINA Alert: Stockbroker Basis Reporting for 2011

by the RINA Tax Department

Beginning in 2011, every stockbroker will be required to provide a customer's cost basis of securities sold. While this may be viewed as beneficial to the customer, there are choices involved which will affect the gain or loss recognized for tax purposes.

The general rule a broker will use when reporting the basis of the security sold, will be the "first in, first out" method (first stock purchased is the first stock sold). This will be the method used unless the customer notifies the broker otherwise by making adequate identification of the stock sold or transferred (known as specific identification). However, for any stock which an average basis method is allowed

(i.e. mutual funds or stock acquired in a dividend reinvestment plan) the customer's adjusted basis is determined according to the broker's default method, unless the customer notifies the broker they elect another acceptable method.

It is important to have a discussion with your brokers and make sure you know how the brokerage will be dealing with the new stock basis reporting requirements. Also, you should review your portfolio to ensure the information your broker has is accurate. This is especially true for stock acquired from a decedent or gift.

Please do not hesitate to contact your RINA representative with any questions you may have.

Welcome New RINA

Team Members

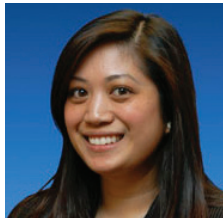
RINA's San Francisco office is pleased to welcome two new Stockholders, Jamshed Gandhi, CPA, CVA, CFP and Rajiv Behti, CPA, formerly with Bertorelli, Gandi, Won & Behti Certified Public Accountants of San Francisco. Jamshed and Rajiv have brought along eight staff members with them that we would like to introduce you to:

- Maria Canas, HR Assistant/Bookkeeper
- Marisol Gomez, Tax Accountant
- Ashley Griffin, Administrative Assistant
- Erika Jazaie, Tax Manager
- Ben Lee, Tax Accountant
- Rose Navarro, Administrative Assistant
- Louise Tao, Tax Accountant
- Terri Touchet, Tax Supervisor

Jamshed Gandhi has been in public accounting for 38 years and specializes in tax consulting, business valuations, estate planning, international tax and financial consulting for small to medium sized closely-held businesses. He graduated from the University of Karachi, Pakistan, with a Bachelor of Commerce in 1971 and earned his CPA license in 1982. He received a Master of Taxation in 1985, his CVA in 1999 and a CFP in 2004 all from Golden Gate University. He is married with two daughters and lives with his wife in Martinez. He is originally from Karachi, Pakistan.

Rajiv Behti has been in public accounting for 28 years and specializes in tax consulting for partnerships, corporations, estates and trusts, high net worth individuals and estate planning. He received his Bachelor of Arts in accounting in 1981 and a Masters of Taxation in 1986 both from Golden Gate University. He earned his CPA license in 1990. Rajiv is married with a son and daughter and lives in South San Francisco with his wife. He is originally from Punjab, India.

RINA's president, Ed Fahey, advises that "we are very excited to have the additional expertise and skill that Jamshed Gandhi, Rajiv Behti, and their staff bring to RINA and its clients. We are looking forward to working with them in enhancing our client services".



Women's Initiative Network Event: *Women and Mastering Success in a 21st Century CPA Firm*

By Lorraine Bautista, Audit Supervisor

As women, many of us enter public accounting with the intention of making it through the first two years, hoping we'll swim rather than sink! After we've navigated those initial training years, survived a few busy seasons and somewhat grasped the business politics, we start to wonder: Do I really want to climb the ladder to be a stockholder? What does it take to be a stockholder? Will work be my life?

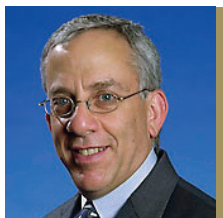
This event was aimed specifically to answer these questions. I'm assuming most women in this profession have similar questions. RINA's Women's Initiative Network has recognized that in today's environment, 50% of accounting professionals are female and the need to provide opportunities for work/life balance is a necessity. The WIN core group sought out 4 women who have achieved partner status at various regional CPA firms to answer questions about their path to partnership.

Our panelists consisted of:

Crystal Ekayanake - Gallina LLP
Debbie Roessl Dimery, CPA - Lindquist LLP
Charlotte Wall - Spott, Lucy & Wall, Inc. CPAs
Marjorie Bailey - Stonefield Josephson, Inc.
(now a division of Marcum LLP)

Key takeaways from these four women intended to help in a successful journey to ownership are as follows:

1. Find a good role model/mentor, either within the firm or externally. This person should be a strategic person who can move you forward and be your personal cheerleader. Try to emulate your chosen role model for those that look up to you.
2. Be sure that the firm you are committed to is the right fit. You must be completely comfortable in the firm you choose.
3. Understand that paradigm shifts take time. Having a "thick skin" will help you to not take things personally.
4. Realize that a work/life balance will be tough. There will be family and personal sacrifices, but figuring out what those are and whether or not you can live with them will create boundaries in choosing what takes precedence.
5. Invest in yourself. Whether it be higher education, leadership training or simply hiring a house cleaner, investing in yourself will surely pay off in your journey to stockholder.
6. Put yourself out there. Public speaking forums and marketing and networking events will help increase your contact list for potential clients and referral sources.
7. Last, but not least, believe in yourself. Act like you know what you are doing even in times of uncertainty.



Peer Review

by Howard Zangwill, A&A Dept. Head

As a member of the American Institute of Certified Public Accountants, RINA must participate in a peer review program every three years. The peer review program is a practice monitoring system designed to insure the independence of our professionals and the quality of their performance in accounting and auditing services for our clients. The peer review was performed by a team of CPAs that conducts many peer reviews for firms across the nation. They provide a well informed perspective to accounting and audit quality. As required by the standards, engagements selected for review include a cross section of our clients including engagements performed under Government Auditing Standards and audits of employee benefit plans. The peer review team also looks at our compliance with educational requirements.

We are pleased to report the successful completion of our peer review for the year ended May 31, 2010. The AICPA and California Peer Review Committee accepted the systems review report that indicates that RINA's system of quality control for our accounting and auditing practice is suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards. Howard Zangwill, RINA's Accounting & Audit Department head, advises "We take great pride in the quality of our work and welcome the opportunity to have that quality affirmed by outside reviewers".



New 1099 Rental Filing Requirements

by Jay Gilson, Stockholder

The Small Business Jobs Act of 2010, signed by the President in September, expanded the reporting requirements relating to the issuance of Form 1099s. This is a change in the tax law with respect to owners of rental property, who have previously been exempt from this type of reporting. Beginning on January 1, 2011, taxpayers who own rental property and make payments of \$600 or more during a calendar year to a service provider (such as a gardener, handyman or plumber) in connection with earning rental income, will be required to file a Form 1099 with the IRS. They will also be required to provide a copy of the form to the service provider. Failure to file these informational returns will subject the taxpayer to penalties ranging from \$30 to \$250 per failure.

While there are several exceptions to the filing requirement, these are generally very limited in the ability to avoid this additional tax compliance. It will be important to not only track the total payments made to the service provider during the year, but also to obtain the service provider's tax identification number. Form W-9 is used to obtain this information.

Note: At the writing of this article Senator Baucus announced that he would be introducing legislation to repeal the new reporting requirements. It remains to be seen if this legislation will be successful.

Please contact your RINA representative for further information regarding this new requirement.

RINA First Quarter

JANUARY

January 15

- Fourth quarter 2010 estimated income tax payments for individuals due

January 31

- Form W-2, Wages and Tax Statement to be furnished to employees from employers
- Form 1099 to recipients of dividends, interest, non-employee compensation, etc
- Fourth quarter 2010 payroll and sales tax returns due
- Form 940, Federal Unemployment Tax Return for 2010 due
- Form DE7, Annual Reconciliation Return for 2010 due
- Form DE6, Quarterly Wage & Withholding Report for 2010 due

FEBRUARY

February 28

- Form W-3 Transmittal, together with Forms W-2 to Social Security Administration due
- Form 1096, together with appropriate forms 1099 to the Internal Revenue Service due
- Oakland, Berkeley and San Francisco City Business License returns due

MARCH

March 15

- Calendar year corporation 2010 income tax returns due



accountancy corporation

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RINA Gives Back

by Pamela Raumer, Business Development Director



RINA's Jay Gilson with Senator Ellen Corbett at the Coyote Hills Group Camp Dedication, September 11th, 2010.

Jay Gilson, Tax Stockholder in our Oakland office, is currently serving as president of the board of directors of the Regional Parks Foundation (RPF). He joined the Planned Giving Committee in 2005 and became a board member in 2007. The board is composed of 17 corporate leaders from all over the East Bay.

The Regional Parks Foundation was established in 1969 to encourage private contributions in support of the East Bay Regional Park District. It is the first non-profit in the United States to be set-up specifically and solely for the purpose of supporting a park agency. The Foundation's mission is to provide broader public access to the Park District's 65 Regional Parks, 1,150 miles of trails, and 40 miles of shoreline that make up more than 100,000 acres throughout Alameda and Contra Costa Counties. In order to achieve its mission, the RPF provides funding to compliment the East Bay Regional Park District's services to under-represented populations. Some of these programs and projects are:

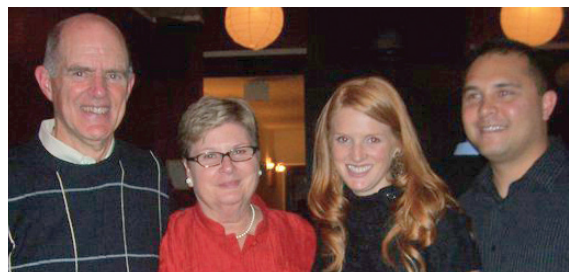
- Campership – camping scholarships for youngsters from low-income families and disabled youth.
- Parks Express – low-cost transportation is provided to organized groups, making it possible for under-represented populations to enjoy a day in one of the parks.
- Environmental Restoration and Habitat Enhancement – managing and promoting the healthy balance of all native wildlife including the black rail, California Lease Tern, Caspian Tern, California Quail, amphibian habitats and grasslands.
- Tilden Carousel Restoration – Tilden's 1911 Herschell-Spillman Carousel is on the National Register of Historic Places and is in need of repair to restore it back to its original luster – the Carousel is enjoyed by over \$150,000 visitors each year.
- Beach Wheelchairs – to increase access for the disabled community to be able to enjoy Regional parks throughout the District.
- Black Diamond Mines ADA Shuttle Vehicle – a vehicle is needed to transport visitors in wheelchairs, or visitors who cannot walk the steep grades.
- Castle Rock Picnic Shelter – construction of a shade structure that can accommodate up to 200 people and would be used for large group picnics, day camps and special events.
- Miller Knox Playground Structure – 18 year old play structure that is badly in need of repair and to be ADA compliant.

Jay has been a user of the parks since he was a youth growing up in Livermore. He hikes and mountain bikes at least once a week. When he was provided the opportunity to join the board of directors, it was a natural progression for him. Jay advises "where in this world can you work with an organization that you can personally or individually benefit? I am so lucky to have the parks in my own backyard".

If you would like more information about the Regional Parks Foundation, visit their website at www.regionalparksfoundation.org.

A Fond Farewell

RINA says good-bye and good luck to our friend and colleague of 25 years - Rich Laveroni. Many know him as the face of RINA on campus and in the community. We know him as the steward of RINA's core values.



Rich pictured here with his wife Ann, daughter Michaela and Michaela's husband Troy.

— First Quarter 2011 Special Insert —



TAX RELIEF ACT 2010

by Ray Evans, Tax Manager

Two major bills enacting tax cuts for individuals, the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA); and the *Jobs and Growth Tax Relief Reconciliation Act of 2003* (JGTRRA), expire at the end of 2010. The newly enacted "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010" signed into law on December 17, 2010 extends these provisions from EGTRRA and JGTRRA for an additional two years, through 2012, and will provide important tax relief to American taxpayers. Here's a look at the key elements of the 2010 Tax Relief Act.

Business Investment Incentives

Extension of bonus depreciation. Under current law, businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Congress allowed businesses, beginning January 1, 2008 through December 31, 2009, to take an additional depreciation deduction allowance equal to 50% of the cost of the depreciable property placed in service in those years. Under the *Small Business Jobs Act of 2010*, this temporary increase in the depreciation deduction allowance was extended through December 31, 2010. The 2010 Tax Relief Act extends and temporarily increases this bonus depreciation provision for investments in new business equipment. For investments placed in service after September 8, 2010 and through December 31, 2011, the bill provides for 100% bonus depreciation. For investments placed in service after December 31, 2011 and through December 31, 2012, the bill provides for 50% bonus depreciation. The new law also allows taxpayers to elect to accelerate some AMT credits in lieu of bonus depreciation for taxable years 2011 and 2012.

Temporarily extend increase in the maximum amount and phase-out threshold under section 179. Under current law, a taxpayer with a sufficiently small amount of annual investment may elect to deduct the cost of certain property placed in service for the year rather than depreciate those costs over time. The 2003 tax cuts temporarily increased the

maximum dollar amount that may be deducted from \$25,000 to \$100,000. The tax cuts also increased the phase-out amount from \$200,000 to \$400,000. In 2007, tax cuts temporarily increased these thresholds to \$125,000 and \$500,000 respectively, indexed for inflation. These amounts have been further increased and extended several times on a temporary basis, including most recently as part of the Small Business Jobs Act which increased the thresholds to \$500,000 and \$2,000,000 for the taxable years beginning in 2010 and 2011. The 2010 Tax Relief Act extends the 2007 maximum amount and phase-out thresholds for taxable years beginning in 2012, at \$125,000 and \$500,000 respectively, indexed for inflation. The new law is effective for taxable years beginning after December 31, 2011.

Employee Payroll Tax Cut

employees will pay only 4.2%
on wages and self-employment
individuals will pay only 10.4%
on self-employment income up to
the threshold.

R&D credit. The 2010 Tax Relief Act reinstates for two years (through 2011) the research credit.

Employee Payroll Tax Cut

Temporary reduction in employee-paid payroll taxes. Under current law, employees pay a 6.2% Social Security tax on all wages earned up to \$106,800 (in 2011) and self-employed individuals pay a 12.4% Social Security self-employment taxes on all their self-employment income up to the same threshold. The 2010 Tax Relief Act provides a payroll/self-employment tax holiday during 2011 of two percentage points. This means employees will pay only 4.2% on wages and self-employment individuals will pay only 10.4% on self-employment income up to the threshold.

Capital Gains and Dividends

Temporarily extend the capital gains and dividend rates. Under current law, the capital gains and dividend rates for taxpayers below the 25% bracket is equal to zero %. For those in the 25% bracket and above, the capital gains and dividend rates are currently 15%. These rates expire at the end of 2010. Upon expiration, the rates for capital gains become 10% and 20%, respectively, and dividends are subject to the ordinary income rates. The 2010 Tax Relief Act extends the current capital gains and dividends rates for all taxpayers for an additional two years, through 2012.

Temporary Estate Tax Relief

Estate, gift and generation skipping transfer tax relief. The EGTRRA phased-out the estate and generation-skipping transfer taxes so that they were fully repealed in 2010, lowered the gift tax rate to 35% and increased the gift tax exemption to \$1 million for 2010. The 2010 Tax Relief Act sets the exemption at \$5 million per person, \$10 million per couple and a top tax rate of 35% for the estate, gift, and generation skipping transfer taxes for two years, through 2012. The exemption amount is indexed beginning in 2012. The new law is effective January 1, 2010, but allows an election to choose no estate tax and modified carryover basis for estates arising on or after January 1, 2010 and before January 1, 2011. The new law sets a \$5 million generation-skipping transfer tax exemption and zero % rate for the 2010 year.

Portability of unused exemption. Under current law, couples have to do complicated estate planning to claim their entire exemption (currently \$7 million for a couple). The new law allows the executor of a deceased spouse's estate to transfer any unused exemption to the surviving spouse without such planning. The proposal is effective for estates of decedents dying after December 31, 2010.

Reunification. Prior to the EGTRRA, the estate and gift taxes were unified, creating a single graduated rate schedule for both. That single lifetime exemption could be used for

—CONTINUED

TAX RELIEF ACT 2010

gifts and/or bequests. The EGTRRA decoupled these systems. The proposal reunifies the estate and gift taxes. The new law is effective for gifts made after December 31, 2010.

Individual and Family Income Tax Relief

Temporarily extend the 10%, 25%, 28%, 33%, and 35% brackets. Under current law, the 10%, 25%, 28%, 33%, and 35% individual income tax brackets expire at the end of 2010. The 2010 Tax Relief Act extends the 10%, 25%, 28%, 33%, and 35% individual income tax brackets for an additional two years, through 2012.

Personal Exemption Phase-out. Personal exemptions allow a certain amount per person to be exempt from tax. Due to the Personal Exemption Phase-out ("PEP"), the exemptions are phased out for taxpayers with AGI above a certain level. In 2010, there was no overall reduction in personal exemptions based on the taxpayer's AGI. The 2010 Tax Relief Act extends the repeal of PEP for an additional two years, through 2012.

Itemized deduction limitation. Generally, taxpayers itemize deductions if the total deductions are more than the standard deduction amount. Since 1991, the amount of itemized deductions that a taxpayer may claim has been reduced, to the extent the taxpayer's AGI is above a certain amount. This limitation is generally known as the "Pease limitation." The EGTRRA repealed the Pease limitation on itemized deductions for 2010. The 2010 Tax Relief Act extends the repeal of the Pease limitation for an additional two years, through 2012.

Child Tax Credit. Generally, taxpayers with income below certain threshold amounts may claim the child tax credit to reduce federal income tax for each qualifying child under the age of 17. The 2010 Tax Relief Act extends the \$1,000 child tax credit for two years through December 31, 2012.

Dependent care credit. The dependent care credit allows a taxpayer a credit for an applicable percentage of child care expenses for children under 13 and disabled dependents. The EGTRRA increased the amount of eligible expenses from \$2,400 for one child and \$4,800 for two or more

children to \$3,000 and \$6,000, respectively. The EGTRRA also increased the applicable percentage from 30% to 35%. The 2010 Tax Relief Act extends the changes to the dependent care credit made by EGTRRA for an additional two years, through 2012.

Deduction of State and local general sales taxes. The 2010 Tax Relief Act extends for two years (through 2011) the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes.

Extension of tax-free distributions from individual retirement plans for charitable purposes. The 2010 Tax Relief Act extends for two years (through 2011) the provision

Educational Assistance

An employee may exclude from gross income up to \$5,250 for income and employment tax purposes per year of employer-provided education assistance.

that permits tax-free distributions to charity from an Individual Retirement Account (IRA) of up to \$100,000 per taxpayer, per taxable year. The 2010 Tax Relief Act allows individuals to make charitable transfers during January of 2011 and treat them as if made during 2010.

Two-year Alternative Minimum Tax patch. Currently, a taxpayer receives an exemption of \$33,750 (individuals) and \$45,000 (married filing jointly) under the AMT. Current law also does not allow nonrefundable personal credits against the AMT. The 2010 Tax Relief Act increases the exemption amounts for 2010 to \$47,450 (individuals) and \$72,450 (married filing jointly) and for 2011 to \$48,450 (individuals) and \$74,450 (married filing jointly). The 2010 Tax Relief Act also allows the nonrefundable personal credits against the AMT. This is effective for taxable years beginning after December 31, 2009.

Educational Assistance

Coverdell Accounts. Coverdell Education Savings Accounts are tax-exempt savings accounts used to pay the higher education expenses of a designated beneficiary. The EGTRRA increased the annual contribution amount from \$500 to \$2,000 and expanded the definition of education expenses to include elementary and secondary school expenses. The 2010 Tax Relief Act extends the changes to Coverdell accounts for an additional two years, through 2012.

Student loan interest deduction. Certain individuals who have paid interest on qualified education loans may claim an above-the-line deduction for such interest expenses up to \$2,500. Prior to 2001, this benefit was only allowed for 60 months and phased-out for taxpayers with income between \$40,000 and \$55,000 (\$60,000 and \$75,000 for joint filers). The EGTRRA eliminated the 60 month rule and increased the income phase-out to \$55,000 to \$70,000 (\$110,000 and \$140,000 for joint filers). The 2010 Tax Relief Act extends the changes to this provision for an additional two years, through 2012.

Above-the-line deduction for certain expenses of elementary and secondary school teachers. The 2010 Tax Relief Act extends for two years (through 2011) the \$250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, supplies (other than non-athletic supplies for courses of instruction in health or physical education), computer equipment (including related software and service), other equipment, and supplementary materials used by the educator in the classroom.

Above-the-line deduction for qualified tuition and related expenses. The 2010 Tax Relief Act extends for two years (through 2011) the above-the-line tax deduction for qualified education expenses.

Exclusion for employer-provided educational assistance. An employee may exclude from gross income up to \$5,250 for income and employment tax purposes per year of employer-provided education assistance. Prior to 2001, this incentive was temporary and only applied to undergraduate courses. The EGTRRA expanded this provision to graduate education and extended the provision for undergraduate and graduate education to the end of 2010. The 2010 Tax Relief Act extends the changes to this provision for an additional two years, through 2012.