

Tax Analysis

specially prepared for

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and
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Tax Year 2007

Joe's Tax Pro

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Your Bottom Line

"What do I owe? What is my effective tax rate?"

Refund	Effective tax rate
\$2,000.00	15.63%

* Effective Tax Rate is an approximation of Tax divided by Income as a percentage.

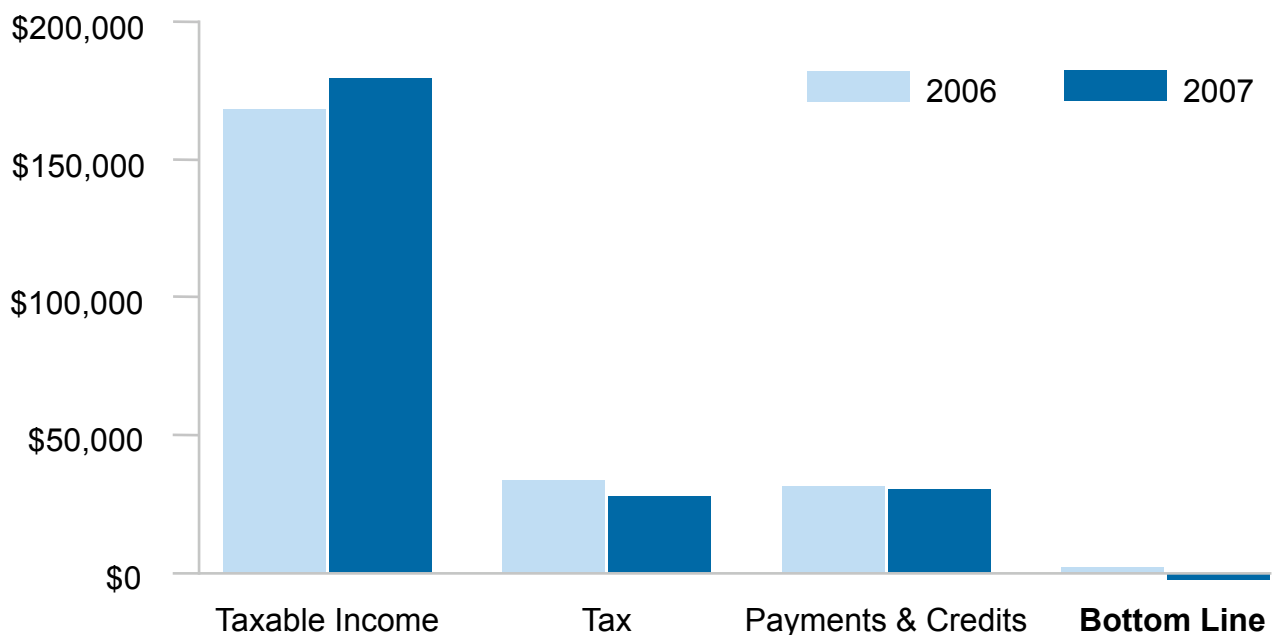
"Why is the bottom line this amount?"

	2006	2007	% Change	Difference
Taxable Income	\$150,000.00	\$160,000.00	6.67%	\$10,000.00
Total Tax	\$30,000.00	\$25,000.00	-16.67%	-\$5,000.00
Payments & Credits	\$28,000.00	\$27,000.00	-3.57%	-\$1,000.00
Bottom Line	\$2,000.00 balance due	\$2,000.00 refund	0.00%	\$0.00

"How did my effective tax rate change?"

	2006	2007	% Change	Difference
Effective Tax Rate	20.00%	15.63%	-21.85%	-4.37%

"How did factors affecting the bottom line differ from last year?"



Your Standard or Itemized Deductions

"What was my Deduction this year?"

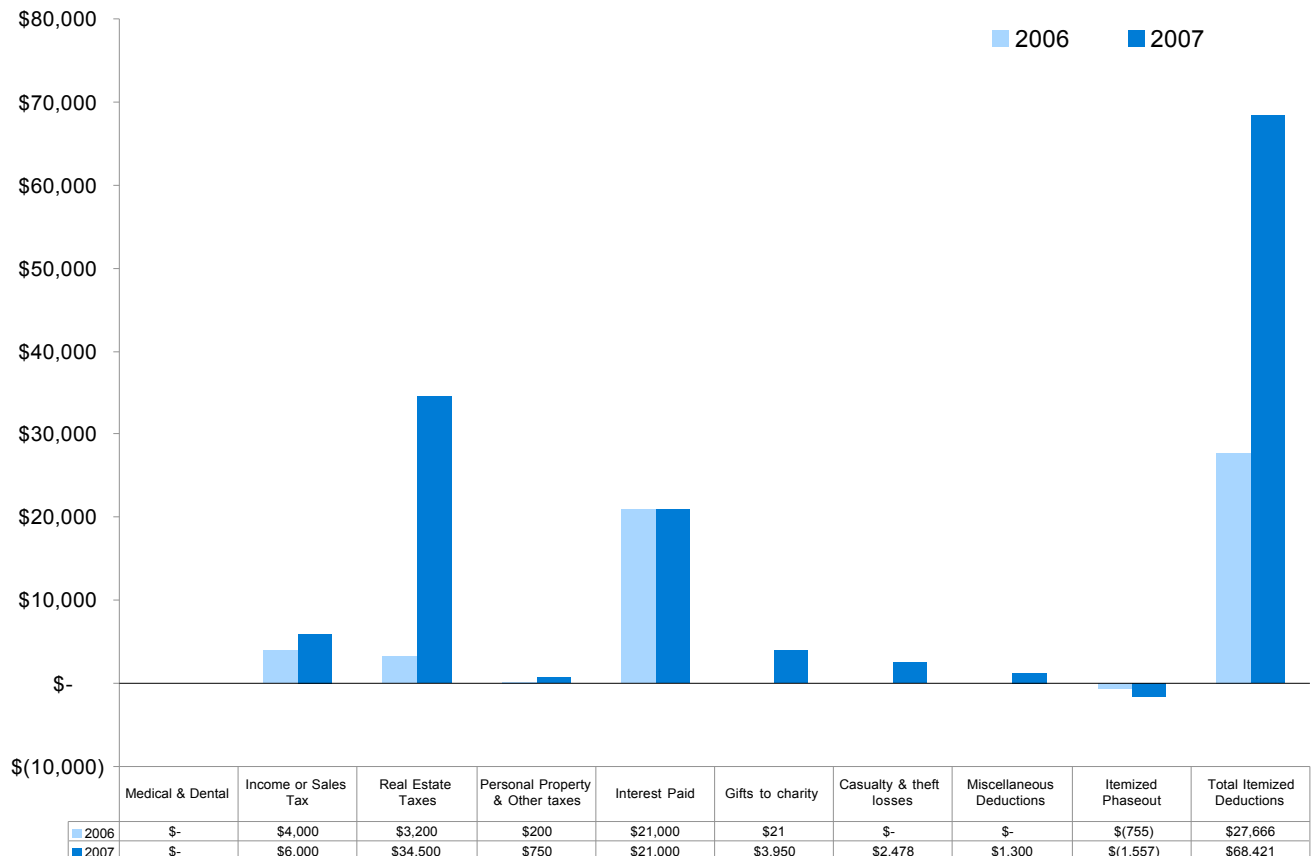
Deduction Applied*	Deduction Type
\$68,421	Itemized

* How the Standard or Itemized deduction is applied depends on which is beneficial to your overall tax return or is required by law.

"How did my Deduction change from last year?"

	2006	2007
Deduction Applied	Standard \$10,700	Itemized \$68,421

"How did my Itemized Deductions change from last year?"



If charts do not match total deduction, your return may have utilized standard deduction or were subject to other limitations.

2-Year Comparison

Summary

Items Affecting Your Bottom Line	2006	2007	Difference	% Difference
Total Income	\$ 188,217	\$ 242,714	\$ 54,497	29%
Adjustments to Income	\$ -	\$ 8,495	\$ 8,495	
Adjusted Gross Income (AGI)	\$ 188,217	\$ 234,219	\$ 46,002	24%
Deductions (Standard or Itemized)	\$ 27,666	\$ 68,421	\$ 40,755	147%
Exemptions	\$ -	\$ 13,600	\$ 13,600	
Taxable Income	\$ 188,217	\$ 152,198	\$ (36,019)	-19%
Total Tax	\$ 44,939	\$ 61,666	\$ 16,727	37%
Payments and Credits	\$ 42,000	\$ 79,041	\$ 37,041	88%
Penalties	\$ -	\$ 352	\$ 352	
Bottom Line	\$ (2,939)	\$ 17,023	\$ 19,962	-679%

Detail of Featured Line Items

Sources of Income	2006	2007	Difference	% Difference
Wages, Salaries, Tips	\$ 101,114	\$ 94,000	\$ (7,114)	-7%
Interest & Ordinary Dividends	\$ 1,789	\$ 2,522	\$ 733	41%
State Tax Refund	\$ 724	\$ 820	\$ 96	13%
Schedule C (all)	\$ 59,493	\$ 112,402	\$ 52,909	89%
Capital Gains	\$ (3,000)	\$ 617	\$ 3,617	-121%
IRA Taxable Distributions	\$ 45	\$ 6,500	\$ 6,455	14344%
Pension Taxable Distributions	\$ -	\$ 3,255	\$ 3,255	
Rents and Royalty Income	\$ 8,622	\$ 371	\$ (8,251)	-96%
Partnerships, SCorps, etc.	\$ 1,500	\$ 518	\$ (982)	-65%
Farm Income	\$ 9,600	\$ 7,099	\$ (2,501)	-26%
Social Security (taxable)	\$ 8,330	\$ 8,330	\$ -	0%
Other Income	\$ -	\$ 6,280	\$ 6,280	
Total Income	\$ 188,217	\$ 242,714	\$ 54,497	29%

Itemized Deductions	2006	2007	Difference	% Difference
Medical & Dental	\$ -	\$ -	\$ -	
Income or Sales Tax	\$ 4,000	\$ 6,000	\$ 2,000	50%
Real Estate Taxes	\$ 3,200	\$ 34,500	\$ 31,300	978%
Personal Property & Other taxes	\$ 200	\$ 750	\$ 550	275%
Interest Paid	\$ 21,000	\$ 21,000	\$ -	0%
Gifts to charity	\$ 21	\$ 3,950	\$ 3,929	18710%
Casualty & theft losses	\$ -	\$ 2,478	\$ 2,478	
Miscellaneous Deductions	\$ -	\$ 1,300	\$ 1,300	
Itemized Phaseout	\$ (755)	\$ (1,557)	\$ (802)	106%
Total Itemized Deductions	\$ 27,666	\$ 68,421	\$ 40,755	147%

Taxes	2006	2007	Difference	% Difference
Income Tax	\$ 25,899	\$ 31,430	\$ 5,531	21%
Additional Income Tax	\$ 7	\$ 25	\$ 18	257%
Self-Employment Tax	\$ 12,589	\$ 15,290	\$ 2,701	21%
Alternative Minimum Tax (AMT)	\$ 5,822	\$ 13,619	\$ 7,797	134%
Other Taxes	\$ 622	\$ 1,302	\$ 680	109%
Total Tax	\$ 61,666	\$ 44,939	\$ 57,482	93%

Personalized Tax Advice

Below you will find a list of recommendations that offer potential opportunities to save on your taxes next year. We created this list for you based on the information in your 2007 tax return. If you have questions about any of these recommendations, please don't hesitate to contact our firm. Keep a copy of your return and your supporting documentation for at least three years after you file your tax return.

- You had a large federal tax refund this year. You may wish to consider reducing your federal income tax withholding.
- You have a 401(k) contribution of \$8,207 on your Dunder Mifflin W-2. This is less than the maximum amount you could have contributed. In 2008, you could defer up to \$15,500 to a 401(k) plan (You can defer \$18,000 if your employer supports the catch-up provision for those 50 and older.)
- Because you are in the 33% marginal tax bracket, consider switching some of your taxable investments to tax-exempt state or municipal bonds. Note: Selling investments for any reason may have tax consequences.
- Consider a tax-deferred investment (i.e., a deferred annuity). Consult with Dunder Mifflin to see if shifting some of your taxable investments to a deferred investment would be right for you.

Thank you again for your business this year. We look forward to meeting your future needs.