

SPECIAL MAMMOTH ALERT

November 24, 2008

This fall, our office has been receiving a greater number of phone calls than usual from Partners, Financial Professionals and Broker-Dealers regarding **how capital losses on equity investments (stocks, bonds, etc.) may be treated as a deductible expense** against passive or non-passive income.

Obviously, this is a timely question as a record number of investors may be declaring losses on their stock transactions for their 2008 tax return. I thought that this was an area of such misunderstanding that a special Mammoth Alert should be sent to you in case you were making a mistake in your assumptions regarding your tax return for 2008.

Below please find a letter from Veronica Gilbert, CPA at Gilbert & Gilbert, P.S.C. Ms. Gilbert was kind enough to forward us her opinion on the application of the current tax law regarding the deductions of equity investment losses. Please remember that I am neither a CPA nor a tax professional of any kind. Also, your individual tax circumstance may vary. In any case, you will need to contact your personal tax professional.

We are getting a host of investors who are anticipating some substantial losses from their investments in the stock markets this year. Many of these investors are assuming that they can deduct 100% of bond their losses against their adjusted gross income. As you can see from the attached letter, **this may not be true!**

My understanding is that these capital losses are deductible up to the amount of your capital gains. If your losses exceed your gains, then you are allowed only a **\$3,000 annual loss** (if married) or a **\$1,500 loss** (if single or filing separately) against your income. If you are depending upon your stock market losses to dramatically reduce your taxes for 2008, you will soon be shocked to realize that this option may not be available for you. You may take this minimum deduction every year, but you will be required to pay your taxes based upon the remainder of your income.

We have seen true tax-advantaged investment programs become much more limited over the last 30+ years. Relatively speaking, there are very few excellent tax advantages left available for the accredited investing public. ***Fortunately, drilling for oil and natural gas within the boundaries of the United States has remained protected*** by both Republican and Democratic Administrations because of our strong national interest in developing domestic energy to replace our dependency on foreign crude oil or other hydrocarbons.

If you or your Financial Professional are still confused about this matter and would like more clarification, please contact our offices so that we can put you in touch with an expert in this field who may be able to help you further. Otherwise, now is the time to ensure your tax liability is properly managed by discussing your individual situation with your own knowledgeable tax professional.

Sincerely,

Dr. Roger L. Cory
President

Disclaimer: This special alert is intended for information use only. You are required to seek a tax professional of your choosing in order to verify and/or validate that the information contained within this communication or within the general circular tax opinion of Veronica Gilbert, CPA is applicable for your specific tax purposes. You are specifically requested to not make any decision based solely or in part on the information provided within. Instead, any decision you may choose should be made only after a reputable tax professional has judged your specific needs in association with their interpretation of current U.S. tax law.



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November 24, 2008

Roger Cory
Mammoth Resources, Inc.
P O Box 430
Cave City, KY 42127

Dear Roger:

In regard to several telephone calls that you have received about capital gains and losses, we would like to provide the following information to help clarify some of your clients questions concerning this matter.

Capital gains and losses are usually stocks, bonds, real estate and other capital assets. These capital losses are deductible up to the amount of capital gains that you have for that year plus an additional \$3,000.00 loss if you are married filing a joint return or \$1,500.00 if you are single or married filing a separate return.

For example, if you have sold stocks for a loss of \$300,000.00 and also sold stocks with gains of \$50,000.00 for the year. The \$50,000.00 gain will zero out and they will have a \$3,000.00 loss on the Schedule D for this year. The remaining balance of the losses of \$247,000.00 gets carried to the next year and deducted at \$3,000.00 loss per year or until additional gains are available to use to offset the loss in future years. This example is computed using a married filing joint return.

Respectfully,

Veronica Gilbert, CPA
Veronica Gilbert, CPA