



BEAN COUNTER NEWS

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Summer 2009



Welcome to another edition of the Bean Counter News. In this newsletter we intend to inform you of significant tax law changes that may effect you during these difficult economic times. We welcome the opportunity to answer any questions that it may generate, as well as assist you with any of your individual or business tax planning needs.

Please contact me at (315) 475-7213 or email fsquadrito@kssl.com with any comments or suggestions for future issues of Bean Counter News.

-Frank Squadrito, Jr.
Editor



Kruth, Stein, Squadrito, Liberman and Silverman, LLP announces its new and improved website www.kssl.com

We are now up and running with a newer version of our website. We encourage you to try it out and to visit it frequently. It can be used to communicate with us and to learn what is new in tax rules and regulations. You will have access to a multitude of helpful links such as: NYS unclaimed funds; tax calculators; tax calendars; social security questions; short easy to understand interpretations of new tax saving opportunities; IRS and NYS publications with explanations and examples of various regulations current topics and special messages directly from us. Learn more about us, the services we provide, and the various industries we serve. Also, get to know our partners and staff collectively. They are the reason we have been able to successfully serve our community for over 60 years. After all...

Experience Counts

Kruth, Stein, Squadrito, Liberman & Silverman, LLP

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Major Federal Tax Law Changes for Individuals and Businesses

Waiver of required minimum distributions (RMDs). Under the RMD rules, participants in qualified plans, individual retirement accounts and annuities (IRAs) are generally required to begin taking distributions no later than April 1 of the year after they attain age 70½. Plan participants, as well as beneficiaries, are **NOT** required to take an RMD from their IRA or most defined contribution retirement plans for 2009.

Deduction for taxes on purchase of new motor vehicles. In 2009, an individual can deduct the state or local sales and excise taxes imposed on the purchase of a qualified motor vehicle **after Feb. 16, 2009 and before 2010**. A qualified motor vehicle includes a passenger automobile, light truck, or motorcycle. A qualified motor vehicle also includes a motor home, the original use of which begins with that purchaser. The amount of tax an individual can deduct is limited to the tax that is imposed on the first \$49,500 of the purchase price of the vehicle. The deduction is phased out over a \$10,000 range that begins when modified AGI is more than \$125,000 (\$250,000 if married filing a joint return). No deduction is allowed when modified AGI is equal to or more than \$135,000 (\$260,000 if married filing jointly). The deduction can either increase the amount of a taxpayer's standard deduction or be taken as an itemized deduction.

First-time homebuyer credit. For residences purchased after 2008, the maximum amount of the 10%-of-purchase-cost first-time homebuyer credit under Code Sec. 36 is increased to \$8,000 (up from \$7,500) and the last date of purchase is extended until **Nov. 30, 2009**. However, if a taxpayer disposes of the home or it otherwise ceases to be his principal residence within 36 months from the date of purchase, credit recapture applies.

Nonbusiness energy property credit. For 2009 and 2010, a taxpayer can claim a credit equal to **30%** of the sum of the cost of: qualified energy efficiency improvements to his home (e.g., energy-efficient windows, doors, insulation materials, and certain roofs) and residential energy property expenditures (e.g., high-efficiency heat pumps, air conditioners, water heaters), up to an aggregate amount of **\$1,500**.

Temporary Income Exclusion for Unemployment Compensation. The tax code includes federal or state unemployment compensation as gross income for federal income-tax purposes. The 2009 Act provides an exclusion from gross income for the first \$2,400 of unemployment benefits received by a recipient in 2009.

American Opportunity Tax Credit. For 2009 and 2010, the American Opportunity Tax Credit expands the tax breaks under the Hope credit for individuals seeking a college education. The credit increases the Hope credit to up to **\$2,500** of the cost of tuition and related expenses paid during the tax year, including expenditures for course materials- i.e., books, supplies, and equipment needed for a course of study, whether or not purchased from the educational institution as a condition of enrollment or attendance. Individuals receive a tax credit based on 100% of the first \$2,000 of tuition and related expenses (including books) paid during the tax year and 25% of the next \$2,000 of tuition and related expenses paid during the tax year. The credit is available for the **first four years of post-secondary education** in a degree or certificate program (rather than just the first two years). Fifty percent of the credit is **refundable**, which

means that a taxpayer can receive up to \$1,000 even if no taxes are owed. The credit is phased out (gradually reduced) if modified AGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if married filing jointly).

COBRA Insurance Continuation. Under "COBRA", an employee (or an employee's family member) whose group health coverage has been terminated has the option of continuing the coverage by paying the employer the full amount of the premium. The employee (or other eligible individual) generally has the right to continue this coverage for at least 18 months.

The 2009 Act provides that an individual who has been involuntarily terminated (and any qualified beneficiary of that individual) is required to pay only **35% of the premium to continue COBRA coverage** under a group health plan for up to nine months. The employer must pay the remaining 65%.

However, the employer is reimbursed for the amount of the COBRA premium assistance it pays on the individual's behalf by claiming a credit against any federal income tax or FICA withholding taxes it owes on wages paid. The COBRA premium subsidy generally is **not taxable** to the participant.

"Taxing" Thoughts

If you make any money, the government shoves you in the creek once a year with it in yours pockets, and all that don't get wet you can keep.

-Will Rogers

Taxes, after all, are dues that we pay for the privileges of membership in an organized society.

-Franklin D. Roosevelt

A person doesn't know how much he has to be thankful for until he has to pay taxes on it.

-Author Unknown

There are three types of accountants... those that can count and those who can't.

-C.P. Hayes

New York Raises Taxes

On April 7, 2009, Governor Paterson signed the New York State Act for fiscal year 2009/2010. The act appears to be an attempt to close a large projected multiyear deficit by raising taxes. High-income taxpayers will bear the brunt of the personal income tax increases. The Act increases taxes for higher income taxpayers for three years, beginning in 2009, by enacting **two new top tax brackets**:

- **Single individuals with New York taxable income over \$200,000 but under \$500,000 will be paying 7.85% of the excess over \$200,000.**
- **Married individuals with New York taxable income over \$300,000 but under \$500,000 will be paying 7.85% of the excess over \$300,000.**
- **Single and married individuals with taxable income over \$500,000 will be paying 8.97% of the excess over \$500,000.**

Empire Zone Reform

Recertification. The 2009/2010 Budget Act requires the Empire State Development Corporation (ESDC) to review all Qualified Empire Zone Enterprises (QEZE) and apply new criteria, including a cost-benefit test for the continued certification of business wishing to retain Empire Zone benefits.

Effective for tax years beginning on or after January 1, 2008, a QEZE must obtain the **EZ retention certificate** and attach a copy to its tax return to receive any Empire Zone benefits. This includes receiving benefits from claims for new credits and claims utilizing carryovers of EZ credits from prior tax years.

Social Security Wage Base Increase to \$106,800 for 2009

The maximum amount of earning subject to the Social Security portion of the FICA tax has gone up to \$106,800 in 2009 from \$102,000 in 2008.

Business mileage rate at 55 cents for 2009.

The standard business mileage rate for transportation expenses paid or incurred in 2009 is **55 cents per mile**.

Retirement Contributions

Given the lousy economy, you may have cash-flow issues causing concern about funding of retirement plans for employees or for yourself. If the plan is a discretionary profit-sharing plan or a SEP, the contribution is determined on a year-to-year basis and doesn't have to be determined (or made) until the extended due date of the tax return. **You can choose not to make any contribution at all for 2009.**

For other types of plans, this is not true. Even a SIMPLE IRA **must** be funded for 2009. You can not shut down this type of plan in mid-year. Timely notice must be given to employees before the plan is terminated and employer contributions stopped. You can, however, postpone making the employer matching contribution until the **extended due date of your tax return**. Don't forget that the employee's elective deferral must be deposited to the employee's as soon as reasonably possible and **not more than 30 days** after the end of the month to which the contributions relate.

Because a self-employed person's income is deemed to be earned as of the last day of the year, it is important to note that the owner's elective deferral must be deposited into the owner's account by **January 31st**. The match (or non-elective) contribution does not have to be made until the extended due date of the tax return.

Estate And Gift Tax Planning-Why Now??

Why, with the current uncertainty of the regulations, should you be concerned with estate and gift planning at this time (especially when considering the tumultuous business and economic environment)? The answer is simple. Because **valuations are probably lower now than they have been in years**. Stocks, business interests, partnership interests, and other assets associated with estate and gift planning are all able to be transferred by sale, gift, or otherwise at drastically reduced prices. It's like having a sale on estate planning as the tax savings are extremely attractive. As a bonus, interest rates are lower now than they have been in many years which affords additional opportunities.

Unlike, a department store sale, this sale is not likely to be repeated for the foreseeable future. Proposals are now being considered that will probably fix the exemption limits at today's level and possibly do away with minority interest discounts for family transfers. We encourage you to speak to us soon to review your existing estate and gift plan or create a plan if you do not yet have one. Don't miss out on the opportunity for your family to benefit by finding a silver lining in these difficult economic times!!

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KSSL&S Launches New Service

Peace of Mind Record Retention

"Safeguard your past , preserve your future"

Through this modestly-priced, flat-fee service, you can securely store all of your financial documents so your heirs know exactly what assets you left behind and where to locate them. Save all of your important documents digitally on a secure, third-party server and protect them from being misplaced, overlooked, stolen or destroyed in a disaster.

Rest easy knowing that none of your precious assets will fall through the cracks or be spent on needless taxes, claims or expenses because your heirs can not locate the proper information.

Your information is stored digitally and securely on our servers for safekeeping. Also, if you choose, you will be able to keep your own copy on a CD for easy reference.

For more information about this exciting new and affordable service view our website www.kssl.com and click on **Peace of Mind** or contact Sara Alexander at 315-475-7213.

Unclaimed Funds?

Are you missing out on money that is currently being held for you by New York State? It is easy to find out. The NYS Office of State Comptroller has an excellent website to search for Unclaimed funds. Go directly to www.osc.state.ny.us or even easier, enter the site directly thru our website www.kssl.com

We strongly recommend that you take the time to research this issue. We have been surprised many times to discover funds that no one could remember or even knew existed. It is easy and worthwhile. Be sure to search ALL names in your family as well as names of businesses, corporations, partnerships, trusts, estates, etc.

Of course, if you wish our assistance, we will work with you to identify and obtain any unclaimed funds that you may be entitled to.

Please note that this is free service on the New York State website. Do **NOT** seek your claim on a website that charges for this service.

*Kruth, Stein, Squadrito,
Lieberman & Silverman, LLP*

401 North Salina Street, Suite 400
Syracuse, New York 13203

(315) 475-7213 • (315) 475-7206 Fax

www.kssl.com

Email made easy!!

We are continuing to improve our technical capabilities and to find better, faster, more efficient, and less costly ways to serve our clients. You all know by now that we have been electronically filing your personal, corporation, and partnership tax returns whenever possible. This has helped us provide quicker turn around of your information and allows us to avoid wasteful use of paper and postage. Internally, we have been electronically storing all of your tax records and supporting documentation. This gives us better, prompter access to your records. It is safe, secure and efficient.

The next step is for us to convince you to begin using email as the method of choice to communicate and transfer data to us as well as to receive documents and information from us. For example: we can prepare your returns and send them to you via email for your review and approval. Once you give us the okay, in most cases we will electronically file your returns and send you a copy for your records via email. You can print it out or simply keep it in a folder on your computer. We can also email you estimated tax vouchers and/or reminders of upcoming payments. Of course, whenever you need access to a hard copy we can send it to you or to anyone authorized by you to receive a copy. Contacting us via email or thru our website also gives you immediate access to us for any questions, concerns, or problems you may have. Try it out!!!

Can We Help!

The American Recovery and Reinvestment Act of 2009 is part of an overall economic stimulus law that also contains spending provisions intended to aid in the recovery of the manufacturing sector, make funding available to state and local governments for infrastructure and other projects, and provide assistance to families and unemployed workers. Some of the provisions of the new tax law are intended to stimulate the economy through individual and business tax breaks. It is important to consider your present tax and financial situation to determine how the 2009 act will effect you. Please contact us, if we can be of help to you in this regard.

CIRCULAR 230 COMPLIANCE STATEMENT

The advice we provide in this correspondence is not intended or written to be used, and cannot be used by you or any other person or entity for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or any applicable state or local law.