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Word of the Month

Propitious \pruh-PISH-uhs\ , adjective:

1. Presenting favorable circumstances or conditions.
2. Favorably inclined; gracious;

Interesting Facts

- If you stop getting thirsty, you need to drink more water. For when a human body is dehydrated, its thirst mechanism shuts off.
- Chewing gum while peeling onions will keep you from crying.
- Laughing lowers levels of stress hormones and strengthens the immune system. Six-year-olds laugh an average of 300 times a day. Adults only laugh 15 to 100 times a day.
- The roar that we hear when we place a seashell next to our ear is not the ocean, but rather the sound of blood surging through the veins in the ear.

SUN TZU – ART OF WAR
Recession and the Art of War
Is the end in the foreseeable future?
By: T. Dennis Connally, CPA

A depression or more palatable, recession is here again. Everywhere there are those with quick fixes and we hear the echoes of despair. This is no ordinary downturn...this one's **BIG, REAL BIG!** Some say we've just about hit bottom, others claim the fall is slowing. Only the fittest will survive.

That may be true, but the good news is that the evolution of businesses need not be as fatalistic as the evolution of species. The great thing about hitting bottom is it gives the eventual survivors a time to reflect, strategize and begin the climb-out. It always goes without saying that the devastation will be a leaner and wiser one. This is all about

conscious decisions...and the business leaders that choose to make them will lead their companies, communities and governments to even greater heights.

Art of War

Survival, survival and final victory are the domains of those willing to fight for them. Perhaps the art of doing good honest business is not so different from the art of war? Disciples of Sun Tzu (Art of War) would agree.

Sun Tzu taught that strategy was more about rapid, apt responses in the midst of competitive turmoil, rather than indulging in the luxury of planning by checklist and meetings in a placid environment.

This is where most businesses seem to be following as they vainly struggle with checklist plans as they've always done. We are now in the midst of a strange, raging economic storm. Rapidly changing conditions and colliding competitive plans lead to situations where checklists just have not ever gone before or perhaps never will.

Know yourself

The most popular quotation from the Art of War reads:

If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a

defeat. If you know neither the enemy nor yourself, you will succumb in every battle.

So...do we really know ourselves? We may think we do. The trouble with good times is that they offer very effective masks to just what's wrong beneath. The perceptions we may have of ourselves and our businesses may no longer hold true in the stark light of adversity. So before we set out to war, perhaps it's time for some introspection...just who are we? Who do we serve? How? What are our capabilities...and our weaknesses?

Applying the same approach to businesses, do we really understand what our business model is...and is it internally consistent? Can we match demand and supply well? How about our customers and what they **really** want, not just what we "think" they want? Do we really have inimitable resources at our disposal and a sustainable competitive advantage?

We will survive as we must never give up maintaining and believing in the true democracy that our founding fathers created.

Second quarter 2009 brings many important tax developments

The second quarter of 2009 saw significant federal tax developments from the White House, Congress and the IRS. Many of the developments relate to temporary tax breaks in the American Recovery and Reinvestment Act of 2009 (2009 Recovery Act), which Congress passed in February to help stimulate the U. S. economy. Additionally, important guidance for individuals, businesses and pension plans

also came from the IRS. This article describes some of federal tax developments that occurred during the second quarter of 2009.

Making Work Pay credit

Many wage earners are seeing an increase in their tax-home pay because of the Making Work Pay credit. Employers started using new withholding tables reflecting the credit in April. However, individuals with multiple jobs and some pension recipients may discover they had too little tax withheld when they file their 2009 returns in 2010. In May, the IRS issued a withholding option for pension plans to offset the Making Work Pay credit. The IRS also reminded individuals with more than one job to adjust their withholding.

First-time homebuyer credit

In April, the IRS reminded taxpayers that they cannot claim the first-time homebuyer tax credit in anticipation of a future purchase. Taxpayers qualify for the credit when they finalize the purchase of their home, which for most purchasers occurs at the time of the closing, the IRS explained. The first-time homebuyer credit reaches \$8,000 for purchases between January 1, 2009 and November 30, 2009. Taxpayers must be qualified buyers and satisfy income requirements.

In good news for home buyers, the U.S. Department of Housing and Urban Development (HUD) will allow taxpayers to monetize the first-time homebuyer credit. Taxpayers financing through a state housing agency and other HUD-approved tax credit advance programs can monetize 100 percent of the down payment. Taxpayers using Federal Housing Administration (FHA) lenders can

apply the credit to closing costs or make a larger down payment above the FHA-required 3.5 percent minimum.

Motor vehicle sales tax deduction

Taxpayers in states without a sales tax can deduct other fees to take advantage of the temporary motor vehicle sales tax deduction. The motor vehicle sales tax deduction is a temporary incentive created by the 2009 Recovery Act. The amount of the deduction is limited to the portion of the state sales or excise tax imposed on the first \$49,500 of the purchase price of the vehicle, and is subject to adjusted gross income (AGI) phaseouts. According to the IRS, Congress intended for all taxpayers and not just taxpayers in states with a sales tax to benefit from the incentive.

Tax evasion

The IRS is undertaking a major initiative to encourage taxpayers to disclose unreported foreign bank accounts and assets. In exchange for full disclosure, the IRS will not criminally prosecute tax evaders. These taxpayers must pay all back taxes plus interest and penalties, although the IRS will waive the 75 percent fraud penalty. The settlement offer is temporary and is only available through mid-September 2009.

Our office will keep you updated on all these, and other, tax developments. If you have any questions about these or any federal tax developments please contact our office.