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QuickBooks

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Word of the Month

caveat (KAY-vee-at; KAV-ee-; KAH-vee-aht), noun:

1. (Law) A notice given by an interested party to some officer not to do a certain act until the opposition has a hearing.
2. A warning or caution; also, a cautionary qualification or explanation to prevent misunderstanding.

Interesting Facts

- A vulture will never attack a human or animal that is moving.
- About 75% of the people in the U.S. live on 2% of the land.
- Adult Northwestern American Grizzly Bears can bite through steel as thick as one half inch.
- After spending hours working at a computer display, look at a blank piece of white paper. It will probably appear pink.

Sales tax deduction and "cash-for-clunkers" aim to boost car sales

The federal government has some valuable incentives to encourage new car and truck sales. The IRS recently announced that taxpayers in states without a sales tax can take advantage of the temporary motor vehicle sales tax deduction. Taxpayers may also be eligible for tax-free vouchers when they trade-in an old gas-guzzling "clunker." The official website for "Cash for Clunkers" is www.cars.gov. Please visit this website for additional information.

Expanded benefit

Not all states have a sales

tax. In June, the IRS announced that taxpayers in states without a sales tax can deduct other fees or taxes imposed by the state or local government. The fees or taxes that qualify must be assessed on the purchase of the vehicle and must be based on the vehicle's sales price or as a per unit fee, the IRS explained. These fees may not be called sales taxes or excise taxes but they generally act the same way, the IRS noted. The IRS expanded the benefit because it believed Congress intended for everyone, and not just taxpayers in states with sales taxes, to benefit from the deduction. "This special tax break is available for people purchasing a new car this year and that can include people in states without a sales tax," IRS Com-

missioner Douglas Shulman said. "This means that more people can take advantage of this deduction when they file their tax returns next year."

Sales tax deduction

Under the American Recovery and Reinvestment Act of 2009 (2009 Recovery Act), taxpayers who buy a new motor vehicle (cars, trucks, motorcycles, and motor homes) can deduct state or local sales or excise taxes paid on the purchase. The deduction is available for new vehicles only, which must be purchased after February 16, 2009 and before January 1, 2010. Additionally, the deduction applies only on the first \$49,500 of the purchase price (used vehicles do not qualify for the deduction). Vehicles

costing more still get a deduction, but only based on sales tax applied to the first \$49,500 of the purchase price.

Like many tax breaks, there are income limitations. The amount of the deduction is phased out for individuals whose modified adjusted gross income is between \$125,000 and \$135,000, and between \$250,000 and \$260,000 for married couples filing joint returns.

Cash-for-clunkers

Another incentive rewards taxpayers who trade-in old "clunkers" for new, more fuel-efficient vehicles. Eligible taxpayers will apply vouchers of up to \$4,500 to offset the purchase price of a new vehicle. Both the trade-in and new vehicles must satisfy certain fuel-efficiency standards. The vouchers are tax-free. The purchaser will not recognize taxable income from a voucher. Although the vouchers are sometimes referred to as "credits," they are not tax credits. The National Highway Traffic Safety Administration, and not the IRS, is administering the "cash-for-clunkers" program.

The trade-in vehicle must be less than 25 years old on the trade-in date. Generally, trade-in vehicles must get 18 or less miles-per-gallon, although some large trucks and cargo vans have different requirements. There are also insurance and registration requirements.

The cash-for-clunkers pro-

gram is temporary. Congress appropriated \$1 billion for the program, which will begin July 1, 2009 and end November 1, 2009.

Please contact our office if you are planning to purchase a new car or truck. You may be eligible for one or both of these valuable incentives.

You may also choose to contact the U.S. Department of Transportation National Highway Traffic Safety Administration at 1-800-CAR-7891. Their hours are:

Monday– Friday: 8AM-10PM
Saturday: 10AM-8PM
Sunday: 10AM-8PM

Important Tips to Know when trading your clunker for cash:

- Your vehicle must be less than 25 years old on the trade-in date
- Only purchase or lease of new vehicles qualify. Generally, trade-in vehicles must get 18 or less MPG (some very large pick-up trucks and cargo vans have different requirements)
- Trade-in vehicles must be registered and insured continuously for the full year preceding the trade-in
- You don't need a voucher, dealers will apply a credit at purchase
- Program runs through Nov 1, 2009 or when the funds are exhausted, whichever comes first.
- The program requires the scrapping of your eligible trade-in vehicle, and that the dealer disclose to you an estimate of the scrap value of your trade-in. The

scrap value, however minimal, will be in addition to the rebate, and not in place of the rebate. Please note that most dealerships will keep the scrap value as an administrative fee for scrapping the vehicle for you.

Tax Free Holidays in GA

The Georgia Department of Revenue reminds taxpayers of the sales tax holiday periods taking place from July 30, 2009, through August 2, 2009, and from October 1, 2009, through October 4, 2009. The first holiday period applies to purchases of clothing and non-commercial purchases of general school supplies (up to \$20 per item), clothing and footwear (priced at \$100 or less and excluding accessories), and computers and computer-related accessories for personal use (for single purchases of \$1,500 or less). The second holiday period applies to purchases of energy-efficient or water-efficient products for noncommercial home or personal use that are priced at \$1,500 or less per product. If a single purchase exceeds the \$1,500 limit, the entire transaction is taxable. Details of the holiday periods were previously reported. The department will release further information on the holiday for energy-efficient and water-efficient products at a later date.

Please contact our office for further information.