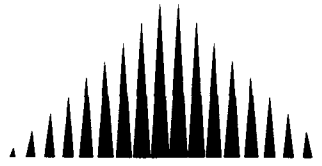


As the 2010 tax season is fast approaching, we are taking appointments for November & December 2009 for pre-tax planning!

Please call today to book your appointment!

770-920-2890



T. Dennis Connally Consultant, P.C. Certified Public Accountant

QuickBooks.

OCTOBER 2009

Word of the Month

Stentorian \sten-TOR-ee-uhn\ , adjective;

1. Extremely loud.

Interesting Facts

- The average person who stops smoking requires one hour less sleep a night.
- Laughing lowers levels of stress hormones and strengthens the immune system.
- Every time you sneeze some of your brain cells die.
- The color blue has a calming effect. It causes the brain to release calming hormones.
- When you blush, the lining of your stomach also turns red.
- Google is actually a common name for a number with a million zeros.

Pending Legislation Complicates Year-End Tax Planning

Pending legislation complicates year-end tax planning

As 2009 comes to a close, it's a good time to review your year-end tax planning strategies. Many traditional strategies are still effective for this year but you need to keep in mind the impact of pending federal legislation. Congress is debating health care reform, a possible second stimulus bill, extending many temporary tax breaks, and more.

Health care reform

Lawmakers are searching for ways to fund health care re-

form. The House Ways and Means Committee proposed a surtax on higher-income taxpayers. The Senate Finance Committee would impose a tax on high-dollar health insurance plans. Both proposals are controversial and it is unclear at this time if either or none will be part of a final bill. We'll keep you posted on developments. More definite are new restrictions on health flexible spending arrangements (FSAs) and health savings accounts (HSAs). Lawmakers are expected to cap annual maximum contributions to health FSAs at \$2,500 (there is no limit under current law, although an employer is free to impose a limit). Moreover, you

would no longer be able to purchase over-the-counter medications with health FSA dollars; only medicines with prescriptions would qualify. Congress may also double the additional tax for HSA withdrawals before age 65 that are not used for qualified medical expenses. If you have a health FSA or HSA, please contact our office and we can discuss ways to maximize its benefit.

Second stimulus

Congress is expected to approve an extension of federal unemployment benefits before year-end and may also extend the \$2,400 exclusion of those benefits from tax. That's good news for individuals without

employment. The bill would have even broader impact if lawmakers use it as a vehicle for a "second stimulus."

One of the most likely incentives to be attached to an unemployment benefits bill is the first-time homebuyer credit, which expires after November 30, 2009. For many individuals, the window of opportunity for taking advantage of the credit has already passed because you must close on a new home before December 1, 2009 to qualify for the credit rather than just sign a contract of sale before that date.

Several bills are pending in Congress to extend the first-time homebuyer credit. One proposal would extend the credit through December 1, 2010 and raise it to \$15,000 (the current cap is \$8,000). Another bill would eliminate the rules that generally limit the credit to lower and moderate-income individuals. If you are considering a home purchase, please contact our office and we can discuss this valuable credit in more detail. Other provisions that could be attached to an unemployment benefits bill include extending COBRA premium assistance, the American Opportunity Tax Credit for college tuition, and the state and local sales tax deduction for motor vehicle purchases. Congress is also considering a new tax credit to reward employers that create jobs. Several ideas have been floated. One proposal would provide a \$3,000 tax credit for each qualified new

job created in 2010. Even though there is support for extending these provisions, Congress will want to keep the cost of any bill as low as possible.

Extenders

Taxpayers are often surprised to learn that many popular tax breaks, such as the state and local sales tax deduction, are only temporary. Congress made them temporary so they would not permanently add to the federal budget deficit. Because they are so popular, however, Congress usually has extended them in the past. Some of the incentives, like the research tax credit, have been extended so many times that some taxpayers incorrectly believe they are permanent. For year-end tax planning purposes, it's important to remember when these tax breaks will expire. Many of them are scheduled to sunset after December 31, 2009, unless Congress extends them. Here are some of the tax breaks for individuals that are scheduled to expire after December 31, 2009:

- Temporary tax relief to victims of all federally-declared disasters;
- State and local sales tax deduction;
- Teachers' classroom expense deduction;
- Higher education tuition deduction;
- Non-itemizers state and local real property tax deduction; and
- Tax-free distributions from IRAs for charitable contributions.

Some of the incentives for businesses that are scheduled

to expire after December 31, 2009 include:

- Code Sec. 179 small business expensing;
- Bonus depreciation;
- Expanded net operating loss carrybacks for small businesses;
- Enhanced recovery periods for qualified leasehold improvements and restaurant property;
- 15-year recovery period for qualified retail improvement property;
- Brownfields remediation expensing;
- Subpart F active financing and look-through exceptions;
- Deduction for corporate donations of computer equipment for educational purposes; and
- Special expensing rules for film and production costs;

Because these incentives are popular, there's a high likelihood that Congress will extend many, if not all, of them. Congress could extend these provisions before year-end or wait until next year and make them retroactive to January 1, 2010. Our office will alert you of developments.

Please contact our office if you have any questions about pending federal tax legislation.

DON'T FORGET—WE ARE TAKING APPOINTMENTS FOR YEAR END TAX PLANNING. DENNIS WOULD LOVE TO ASSIST WITH MAXIMIZING YOUR TAX DEDUCTIONS!