

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!

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QuickBooks

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Word of the Month

Acquiesce \ak-wee-ES\ , intransitive verb:

1. To accept or consent passively or without objection -- usually used with 'in' or 'to'.

Interesting Facts You Can Use Around the House

- Use a wet cotton ball or Q-tip to pick up the small shards of glass you can't see easily.
- Place a dryer sheet in your pocket. It will keep the mosquitoes away.
- To keep squirrels from eating your plants, sprinkle your plants with cayenne pepper. The pepper doesn't hurt the plants but the squirrels won't come near it!
- Before you pour sticky substances into a measuring cup, fill with hot water. Dump out the hot water, but don't dry the cup. Next, add your ingredient, such as peanut butter, and watch how easily it comes out!

Personal Tax Return Extension Deadline Extended for Flood/Storm Victims & Year End Tax Planning Techniques Can Maximize Tax Savings

Personal Tax Return Extension Deadline Extended

Victims of recent severe storms and flooding in Georgia may qualify for tax relief from the Internal Revenue Service.

Following severe storms and flooding beginning Sept. 18, the President declared Bartow, Carroll, Calhoun, Chattooga, Cherokee, Cobb, Coweta, DeKalb, Douglas, Fulton, Gwinnett, Heard, Newton, Paulding, Rockdale, Stephens and Walker counties federal disaster areas qualifying for individual assistance. As a result, the IRS is postponing until Dec. 17 certain deadlines for taxpayers who reside or have a business in the disaster area. The postponement applies to return filing, tax payment and certain other time-sensitive acts otherwise due between Sept. 18 and Dec. 17. In addition, the IRS will waive the failure to deposit penalties for employment and excise deposits due

on or after Sept. 18 and on or before Oct. 5, as long as the deposits were made by Oct. 5.

If an affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the telephone number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply. Penalties or interest will be abated only for taxpayers who have an original or extended filing, payment or deposit due date, including an extended filing or payment due date, that falls within the Postponement Period. IRS computer systems automatically identify taxpayers located in the covered disaster area and apply automatic filing and payment relief. Affected taxpayers who reside or have a business located outside the covered disaster area must call the IRS disaster hotline at 1-866-562-5227 to request tax relief. As always, you may contact our office if you have any questions or concerns.

Year End Tax Planning

As the end of 2009 approaches, it is a good time to start year-end tax planning. Between now and December 31, 2009, there is time to put in place some tax saving strategies. Many of these strategies are familiar ones; others are tailored to these challenging economic times.

Individuals

One of the tried and tested year-end planning methods is income and expense shifting. Basically, you aim to smooth out taxable income between 2009 and 2010 by accelerating and postponing transactions that either produce income or yield deductible expenses. This technique works best if you can reasonably forecast your income and expense situation in the first few months of 2010.

One complicating factor this year is the recession. For many individuals, the end of 2009 is very different from the beginning of the year. Salaried workers and their spouses may have

experienced a lay-off, furlough or reduction in hours at work. Self-employed individuals may be struggling with cash-flow problems. Many retired individuals are also having a hard time coping during the recession. Investment income is down and some retirees have re-entered the job market.

Fortunately, there are some provisions in the Tax Code that can help. For example, job hunting expenses may be deductible. The first \$2,400 in unemployment benefits is tax-free. If you relocate to take a new job, moving expenses may also be deductible.

Besides employment, other life events have tax consequences. Marriage, divorce and children all impact your federal tax status.

Some of the most overlooked tax incentives are targeted to children. If you paid someone to care for a child, spouse, or dependent, you may be able to reduce your tax by claiming the child and dependent care credit on your federal income tax return. This credit is separate from the child tax credit, which is \$1,000 per qualifying child for 2009. Many parents are using Coverdell Education Savings Accounts to put aside funds for a child's schooling. Although the contributions are not tax-free, the distributions, if used for qualified education expenses, are tax-free. There is also an expanded education tax credit, the American Opportunity Tax Credit, which can help with college tuition costs.

For 2009, state and local sales taxes are also deductible (in lieu of state and local income taxes). This benefit may be especially valuable if you are planning a big-ticket purchase in the near future. Another popular tax incentive will expire before the end of 2009: the first-time homebuyer credit is set to expire after November 30, 2009. Several bills have been introduced in Congress to extend the credit another year. Our office will keep you posted on developments.

Wage-earners and pension recipients also need to plan for the Making Work Pay Credit. This payroll credit was enacted in early 2009.

Employers and some pension plans are withholding less federal income tax. The impact of the Making Work Pay Credit varies significantly, depending on a taxpayer's earned income, filing status and number of withholding allowances. The credit phases out for a single taxpayer who has modified adjusted gross income (AGI) between \$75,000 and \$95,000, and for married couples filing jointly whose modified AGI is between \$150,000 and \$190,000. Individuals with more than one job and married couples with two incomes may be surprised when they file their taxes in 2010 to discover that they are receiving a smaller refund or owe money. If you have not yet adjusted your withholding for 2009, now is the time to act.

IRA conversions

A lot of folks are talking about IRA conversions. Starting in 2010, anyone can convert a traditional IRA to a Roth IRA regardless of their income and other current restrictions. You can choose to recognize income from the conversion in 2010 or average it out over 2011 and 2012. President Obama has proposed raising the top two individual marginal income tax rates after 2010. If you are considering an IRA conversion, you may want to do it next year and recognize the income in 2010. However, be cautious. The new IRA conversion rules are generous but not for everyone. Our office can help evaluate if an IRA conversion fits your savings strategy.

Small businesses

Small business expensing under Code Sec. 179 is at an all-time high this year (\$250,000). The threshold for reducing the deduction is \$800,000. The higher amounts are set to expire after 2009. Businesses that have been contemplating a purchase need to act soon if they want to take advantage of the more generous Code Sec. 179 expensing amount. The expensing amount will fall to \$134,000 in 2010 unless Congress extends it.

Another business tax break - bonus depreciation - will also expire at the end of 2009. Fifty percent bonus depreciation is taken on top of the regular depreciation for the year the property is placed in service. Keep in

mind that a larger current depreciation deduction results in smaller future deductions.

Many small business owners operate their businesses as sole proprietorships or partnerships. The expected increase in the top two marginal income tax rates after 2010 will also affect them. It is not too early to start planning for those anticipated rate hikes.

Small businesses should have a year-end retirement plan check-up. The Obama administration and the IRS recently announced some measures to encourage small businesses to offer a retirement plan or expand an existing plan. Our office can help you choose a retirement plan that is right for your small business.

Special considerations this year

Because of the recession, many individuals cannot meet their tax debts. The IRS is aware of how families are struggling and has promised to help. You may qualify for an installment agreement, which allows you to pay your taxes over time. The IRS might also accept an offer-in-compromise. Some individuals are uncomfortable by how the recession has impacted them. Don't be. If you have unresolved debts with the IRS, let our office know now. We can work with the IRS on your behalf.

The same is true for small business owners. Frankly, the IRS is less sympathetic to business owners that fall behind in their tax obligations, especially payroll taxes, than with individuals. It may be tempting to skip a payroll tax deposit. This is a dangerous tactic and will result in severe penalties. Again, our office can help you work with the IRS.

As always, please contact our office if you have any questions about year-end tax planning. We are currently taking appointments for November and December 2009 for pre-tax planning! The earlier you get started, the better you can maximize your potential tax savings. 770-920-2890