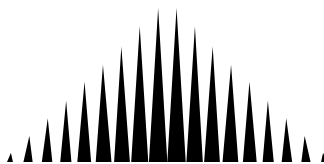


2009 Organizers have been mailed. Tax interview appointments are now available. Please call to schedule your appointment today!

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FEBRUARY 2010

Word of the Month

Evince \ih-VIN(T)S\ , transitive verb;

1. To show in a clear manner; to manifest; to make evident; to bring to light.

Interesting Facts

- 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 cayenne pepper doesn't hurt the plant and the squirrels won't come near it.

Looking back at 2009 and getting ready for tax time in 2010

Before 2010 begins in earnest, you may find it helpful to take one last look at important tax developments that occurred during 2009 to see what impact they may have on next year's tax strategies. To help, we have prepared a list of 2009 tax developments, selected from the perspective of their importance to you in 2010. Some of the developments on the list are ongoing, with endings yet to be written. With other developments, the law is firmly established, although application of some of them to New Year transactions may remain somewhat uncertain. In all cases, they are notable for their potential to play an important role in 2010 and beyond.

Offshore compliance

In 2010, the government will continue its follow-up work in pursuing disclosures made by UBS AG, as well as by individuals who, in 2009, disclosed names of advisors and other facilitators in record numbers. According to IRS Commissioner Doug Shulman, an "unprecedented" number of offshore account disclosures have been made. In addition, the IRS will make inroads in its multi-plank offshore tax reform plan, publishing (and enforcing) loophole-closing guidance such as recent temporary regulations that tightened restrictions on corporate inversion transactions.

Net operating losses

Net operating losses took center stage in 2009 as the

economic downturn continued to generate NOLs that were useless to many businesses as immediate cash generators under the regular two year carry-back provisions. The five-year 2008 NOL carryback for small businesses of the *American Recovery and Reinvestment Act of 2009* and the modified five-year 2008 or 2009 NOL carryback option under the *Worker, Homeownership, and Business Assistance Act of 2009* created much IRS guidance on elections and refund claims. Since the modified five-year election between 2008 and 2009 need not be made until the extended due dates for 2009 tax returns (although the business pressure to claim cash refunds immediately re-

mains intense), NOLs - how to compute them, how to generate them and how to claim them --are guaranteed to continue to be a hot focal point in 2010, as will the intense business pressure to claim cash refunds on the election as soon as possible.

Tax gap

As part of its effort to close the "tax gap" - the difference between what taxpayers owe and what is collected - the IRS (with encouragement from Capitol Hill) set into motion in 2009 an array of programs and initiatives that will expand in 2010. In addition to the offshore compliance initiative, IRS efforts will include a new employment tax audit program, plans to more tightly regulate tax return preparers, development of rules for credit card reporting on merchants, and laying the groundwork for implementing basis reporting by stockbrokers, as well as continuing the use of penalty provisions to create a virtual second tier of tax liability for missteps in determining when a tax strategy "crosses the line."

Cancellation of indebtedness income

Although the recession has put a damper on acquiring real income, there continues to be no lack of cancellation of indebtedness (COD) income - nor issues over how exceptions to COD income should operate. Guidance regarding certain COD income continues to be a work in progress and the Treasury Department has promised rules

on certain COD income in early 2010.

Homebuyer tax credit

The first-time homebuyer tax credit's latest iteration extends through April 30, 2010 (or closings before July 1 on contracts executed before May 1). The credit has certainly been one of the most publicized tax breaks in recent years. As a result, many homeowners and real estate agents have acted first and then called on their tax professional to "confirm and collect" on the credit. Nevertheless, after-the-fact strategies are available for both 2009 and 2010 purchases. This is especially true in connection with the long-time homebuyer portion of the credit under which income, residency, and the election to claim on the prior year's return offer some flexibility.

Change of accounting

In 2009, the IRS made significant revisions to its required procedures for taxpayers to obtain automatic IRS consent to a change in accounting method. A new revenue procedure added a number of methods for which taxpayers may obtain automatic consent and modified the rules that must be followed for obtaining automatic consent to an accounting method change. More companies are looking at accounting methods as part of their tax planning to enhance cash flow. Based on that evidence, filings of accounting method changes

should continue into 2010 at a record pace.

AFRs and asset values at historical lows

These days, it is difficult to have a below-market loan on which interest must be imputed considering that the rate charged would need to be below the current applicable federal rate (AFR). Low asset valuation also creates a particularly advantageous environment in which to convert from a corporation to a partnership, with taxable gain fixed in many cases at its lowest point in years. In addition to these factors, add the deadline created by the probability of higher taxes starting in 2011. 2010 strategies to take advantage of low interest rates and low values cannot be overemphasized.

Legislation

The tax implications of health care reform, corporate tax reform, international tax reform, and a rise in the higher individual income tax rates (from the current 33 and 35 percent brackets to 36 and 39.6 percent, respectively, as well as higher capital gains rates) will all impact on long-term tax strategies undertaken in 2010 - so will those issues continuing to arise from the bumper crop of 2008 and 2009 tax legislation we have just gone through. Without any new case law, Treasury regulations or IRS initiatives in 2010 (of which there are sure to be plenty of surprises), tax legislation will keep individuals and businesses busy.

Please contact our office for additional information.