

LS Ross CPA & Financial Services

Tax and Financial Newsletter

January 2010 (First Edition)

Dear Client:

We have put together our first monthly newsletter of current tax updates. The information provided is intended to inform only and should not be considered as tax advice. Please make an appointment to discuss how any issue pertains to you personally.

This is our first issue so we encourage feedback!

TAX LEGISLATION

Georgia residents of counties declared as *federal disaster areas* are allowed special tax relief provisions.

These include elimination of thresholds for allowable loss deductions (previously 10% of AGI), and allows a 50% special bonus depreciation on replacement or repaired property (includes, but is not limited to residential rental property). Federal monies received as qualified disaster relief payments are NOT reportable as gross income.

COBRA Unemployed Benefits: Congress has allowed workers who lost their job between Aug 31, 2008 and Feb 28, 2010 to continue obtaining a 65% reduction in their COBRA premiums for 15 months (previously limited to 9 months). The 15 months will be applicable to those whose benefits already ran out after November.

\$8000 Home Buyer Credit: Per Congress, a first time home buyer is any person who has not owned a principal residence during the (immediate) prior three-year period. The tax credit has been extended for purchases occurring on or before April 30, 2010. Also, buyers have the flexibility to apportion the credit so it benefits them. The IRS has ruled that if two individuals buy a house together before the deadline, but one is not eligible for the credit, the \$8000 credit can be fully allocated to and claimed by the other.

The \$6,500 Move-Up / Repeat Home Buyer Tax Credit: This credit is for buyers who have owned and lived in their previous home for five consecutive years out of the last eight years. The tax credit applies only to homes priced at \$800,000 or less. The credit is available for homes purchased after November 6, 2009 and on or before April 30, 2010. Single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 can qualify for the full tax credit.

Street-legal Electric Golf Cart Tax Credit: New electric golf carts may qualify for up to \$6000 in federal income tax credits. The IRS has a list of approved electric vehicles that have already qualified for the credit. Depending upon the capacity of the battery (amp-hrs) your new electric golf cart could reap at least a \$2500 credit. The IRS has stated that buyers can rely on the Manufacturers Credit Certification in lieu of knowing the rules verbatim. In general, an eligible cart must meet US safety standards and be street legal for use on roads with posted speed limits of 35mph or less. And yes, you can still use the golf cart on you local golf course – it won't invalidate the credit.

Social Security Fund Depletion: Updated forecasts now indicate that social security will begin running a monthly deficit as early as 2011. Whereas previous data indicated this deficit would not occur until 2016. Social security taxes are collected as FICA withholding on individuals payroll checks and are paid out monthly to retired social security recipients. The cause of the abrupt change is two-fold. In part, it is a result of the significant reduction in FICA payroll tax collections due to high unemployment. Equally, the early retirement of older and higher paid workers has caused these individuals to begin drawing social security before they had planned.

TAX TIDBITS:

- **New Car Purchase sales tax is deductible** by both, itemizers and non-itemizers in 2009 for vehicles costing less than \$49,500. The deduction is not subject to AMT adjustments.
- **Job Hunting Expense Deductions:** Typically deductible expenses include resumes, recruiters, career counseling, employment contracts, travel expense, publications and more.
- **Tuition Tax Credits changes:** Now 100% of the first \$2000 and 25% of the next \$2000 per student for non-reimbursed tuition, books and supplies are deductible. Applicable to first four years of post-secondary education, whereas the previous credit was only available for the first two years.
- **Personal Energy Property Credits** have increased to \$1500 (includes certain insulation, doors, windows, energy efficient AC/Furnaces and electric heat pumps) for 2009-2010 combined. The credit is limited to 30% of personal energy property equipment costs. The **Residential Energy Efficient Property** credit for solar water heaters, wind turbines, and geothermal heat pumps, etc is 30% of total cost with no limit.
- **2009 Tax Rates for Individuals:** Capital Gains Rates range from 0% to 15%. Income Tax Rates range from 10% to 35%.
- If you plan to make **cash gifts to friends** and relatives, the \$13k annual limit applies. Remember the IRS believes it is more blessed to receive than give, so the person gifting the cash is the one potentially on the hook for taxes and not the recipient.
- **No Estate Tax in 2010 - maybe!!** Unless Congress passes new legislation to change the Bush tax cuts, the estate tax rate has become ZERO for 2010.
- Six States – California, Florida, Michigan, Nevada, Arizona, and Illinois accounted for 62% of the **nation's foreclosure activity** in August 2009. While California's total was down 15% from the prior month, Florida was up 10% from the prior month.
- **No AGI limit on ROTH IRA's: Beginning 2010** there are no longer income limitations on who can contribute to a ROTH IRA. Also for 2010 only there is an opportunity to defer taxes due on any ROTH conversion until 2011 and 2012.

NEW DEADLINE Filing Dates to Remember:

Form 1099-B: February 16, 2010
Form 1099-S: February 16, 2010
Form 1099-MISC: February 1, 2010 for subcontract wages
Form 1099-DIV: February 16, 2010
Form 1099-INT: February 16, 2010

We also publish a **quarterly investment newsletter** and send out a **monthly economic update** by email. If you have not signed up for one of these and would be interested, please call Michelle at our office (770-792-2233) and let her know to place you on the list.