

2009 Year-End & MORE

Action Required BEFORE Year-End

1. Increase the amount you set aside for next year in your employer's health flexible spending account (FSA).
2. Realize losses on investments.
3. Postpone income until 2010 and accelerate deductions into 2009 to lower your 2009 tax bill.
4. If you believe a Roth IRA is better than a traditional IRA, and want to remain in the market for the long term, consider converting traditional-IRA money invested in beaten-down stocks (or mutual funds) into a Roth IRA.
5. Consider using a credit card to prepay expenses that can generate deductions for this year.
6. If you expect to owe state and local income taxes when you file your return next year, consider asking your employer to increase withholding of state and local taxes (or pay estimated tax payments of state and local taxes) before year-end to pull down the deduction of those taxes into 2009 if doing so won't create an AMT problem.
7. If you are planning to buy a car, do so before year-end in order to nail down a deduction for state sales tax and excise tax on the purchase.
8. If you are a homeowner, make energy saving improvements to the residence, such as putting in extra insulation or installing energy saving windows, and qualify for a tax credit. Additional, substantial tax credits are available for installing energy generating equipment (such as solar electric panels or solar hot water heaters) to your home.
9. Businesses should consider making expenditures that qualify for the business property expensing option, which is up to \$250,000 for assets bought and placed in service this year; the maximum expensing amount will drop to \$134,000 for assets bought and placed in service next year (higher expensing amounts apply in certain specialized situations). Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year.
10. If you are self-employed and haven't done so yet, set up a self-employed retirement plan.
11. If you are 70 1/2 or older, own IRAs (or Roth IRAs), and are thinking of making a charitable gift, consider arranging for the gift to be made directly by the IRA trustee. Such a transfer, if made before year-end, can achieve important tax savings.
12. If you are age 70 1/2 or older and took a distribution from a retirement plan or IRA earlier this year, you may be able to avoid tax on the payout by rolling it over into an eligible retirement plan (including an IRA) before 12/1/2009.

Homebuyer Credit Extended!

1. If you or a family member are thinking of becoming a first-time homebuyer, must sign the contract before 4/30/2010 and close before 6/30/2010 in order to qualify for an up-to-\$8,000 credit.
2. Current homeowners looking to buy up who have used their home as their primary residence for five consecutive years out of the last eight can claim the credit of \$6,500 must purchase between 11/7/09-4/30/2010 and close by 6/30/2010.



Homebuyer
Credit Extended!



Tax Law Obliterates Hobbies

Avoid Hobbies:

Make all your activities businesses.

Businesses deduct all their expenses

Business losses may be carried back

And forward to generate more tax benefits

How the Hobby Rules Work:

- Report gross income from the hobby, above the line.
- Order the hobby deductions.
- Treat hobby deductions as miscellaneous itemized deductions-a below-the-line deduction
- Apply the AMT

For more information on all of these topics, please contact us 913.239.9130



Why Convert an IRA to a Roth IRA?

Converting an IRA to a Roth Special Rules in 2010

With a traditional IRA money can be placed into the account on a pre-tax (tax deductible) and after-tax basis. That investment is allowed to grow on a tax-deferred basis until withdrawn in retirement.

If an individual wanted to convert a traditional IRA to a Roth IRA they have to pay federal income taxes on any pre-tax contributions as well as any growth in the investment's value. After all, once converted to a Roth, all of the investment could now be withdrawn on a tax-free basis in retirement.

Starting in 2010, all taxpayers will be allowed to convert a traditional IRA to a Roth IRA. This change applies to all years beyond 2010 - and the income taxes due on the 2010 conversion can be spread over two years. So the 2010 conversion amount may be included as taxable income in 2011 and 2012 - helping to spread out the tax bite. Conversions in subsequent years are included in come during the tax year in which the conversion is completed. Removing the Roth IRA conversion cap however doesn't mean anyone can fund a Roth IRA, but it does mean that anyone can convert an existing IRA to a Roth IRA.

Taking advantage of the 2010 Rule

Fortunately there is a way for all taxpayers - regardless of income - to take advantage of this change in the tax code:

Start Funding a Traditional IRA Right Now!!!



2009-2010
Tax Energy Credit

Homeowner's Energy Property Tax Credit

During 2009 and 2010, you can qualify for a 30% tax credit of up to \$1,500 for many energy efficient home improvements. Geothermal heat pumps, solar water heaters, solar panels, fuel cells, and windmills are not subject to this cap, and are in effect through 2016. The home improvements must be for your principal residence.

If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind systems and fuel cells, **but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.**

Visit www.energystar.gov for more information on qualifying products

Reminder: Individual Estimated Tax Payments

Next Estimated Tax Payment is due January 15th, 2010

Congrats to Ella
Smith who earned
her CPA
certification!

Check out our website for new tax information

www.MCcpas.com