



# ROGER A. SCHOENBECK

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### December 2009 Newsletter

#### **Happy Holidays!**

Enjoy the season and after the festivities are over, make sure to document all your tax transactions by the end of the calendar year. Write and mail your checks before the end of 2009 if you want to deduct items such as state estimated taxes and contributions. You can also put these items on a credit card before the end of the year and still deduct the transactions. It used to be fairly simple to recommend to clients to accelerate their deductions and defer income (where possible) to save current taxes, but maybe not this year. The betting is that income tax rates will be going up during 2010 based on the economic challenges the Federal and State governments are facing, so you should consider your 2009/2010 strategy in light of these economic factors. This year it may make sense to defer deductions until next year.

#### **2009 Tax Information Preparation**

Most tax professionals (including me) charge for their services based on how much time is spent in the preparation of your taxes. The best way to save yourself some money and also save some aggravation for your accountant during our hectic season is to organize your tax records. Make sure you have all your W-2's, 1099's and your deductible expenses pulled together and in some kind of order before the meeting or mailing of your information. Please let me know if you need a tax organizer to assist you in putting your records together before we meet and I will provide it to you.

#### **Roth IRA Conversions**

This provision allowing a conversion from a standard IRA to a Roth IRA (which is non-taxable upon distribution) will be effective for 2010. To encourage participation, the government is also allowing taxes on the conversion to be deferred to 2011-2012. There are many factors that need to be considered before you elect this provision. Make sure your financial advisory team assists you with this decision.

#### **Estate Tax Changes**

Estate tax law is in a state of flux. Current rules expire at the end of 2009 and it appears they will not be immediately extended. If this area is a concern, you need to stay in touch with your accountant, financial advisor and/or attorney to receive the most up to date information.

#### **Homebuyer Tax Credit**

This credit of up to \$8,000 has been extended to May 10, 2010. This credit is available to anyone who has not had an ownership interest in real estate for the past three years. For those who have owned and lived in a home for five of the last eight years and purchase another home, they may be entitled to a tax credit of up to \$6,500.

#### **New Car Sales Tax Credit**

Taxpayers are able to deduct sales taxes paid on a new vehicle, light truck, motor home or motorcycle if purchased between February 16<sup>th</sup> and the end of the year. It is available in addition to standard or itemized deductions.

#### **Real Estate Taxes**

A reminder that you are entitled to deduct up to \$1,000 of real estate taxes on a joint return even if you do not have enough deductions to qualify for itemizing (you take a standard deduction).

#### **Mileage Rates**

Automobile mileage rates for business use have been dropped from 55¢ in 2009 to 50¢ for 2010.

As usual, there are many other changes to the tax laws that may impact you; including increased deductions and/or credits for energy investment, child care and education.