

NEWSLETTER

TAX BRIEFS:

- **Gift Tax.** The annual exclusion for 2009 and 2010 is \$13,000.
- **New Vehicle Sales Tax Deduction.** Sales tax paid on the purchase of a new vehicle (costing up to \$49,500) is deductible for most taxpayers for purchases prior to January 1, 2010.
- **Itemized Deductions.** Have you ever considered planning your itemized deductions so that you itemize every other year, while taking advantage of the governments "free" standard deduction in the off years? This will enable taxpayers to better maximize the use of all deductions available to them and over time reduce income taxes overall.
- **Free Add-ons.** If you claim the standard deduction (instead of itemizing), don't forget the three other add-ons to increase your write-offs. Married taxpayers can deduct up to \$1,000 of property taxes paid (singles \$500). Residents of federal disaster areas can add in their casualty losses. Plus, you can take the sales tax break on new vehicles purchased before year-end.

Year-end Legislative Extenders

You can tell that the end of the year is near when there is a flurry of last minute tax legislation. This year is no different. The "Tax Extenders Act of 2009" extends a host of expiring provisions for one year, through 2010:

For Individuals

- The election to take an itemized deduction for state and local general sales tax in lieu of the itemized deduction for state and local income taxes.
- The additional standard deduction for state and local real estate taxes.
- The above-the-line deduction for qualified tuition and related expenses.
- The \$250 above-the-line deduction for educators expenses.
- Permitting taxpayers age 70 ½ or older to make tax-free distributions to charity from an IRA of up to \$100,000 per year.

- Special rule allowing S corporation shareholders deduct their pro-rata share of charitable deductions, even if such deductions would exceed their stock basis in the S corporation.

For Businesses

- The credit for increasing research activities.
- 15 year straight-line depreciation for qualified leasehold improvements, restaurant buildings and improvements, and retail improvements.
- 5 year depreciation for most farm equipment.

INVESTING YOUR FEDERAL REFUND

The government has announced an alternative plan for your tax refund. Instead of receiving your refund in cash, you may choose to have the refund issued in the form of Series I bonds. Bear in mind the government has recently announced a deficit of \$1.42 trillion. **Our recommendation is to take the cash!**

FIRST TIME HOMEBUYER CREDIT EXTENDED

This tax credit has been extended through April 30, 2010 with various modifications. The benefit for married couples benefit is now phased out beginning at \$225,000 of adjusted gross income (up from \$150,000). Current homeowners can now claim up to \$6,500 of credit if they have owned a home for five consecutive years....the new home must be their principal residence. Homes over \$800,000 no longer qualify. The credit remains refundable. To close a loophole, purchases after November 6th from in-laws no longer qualify. Dependents of other taxpayers cannot claim the credit nor can taxpayers under age 18. Increased documentation is now required to be submitted with each 1040. Tax returns claiming this credit are not permitted to efile.

TAX BRIEFS:

- **S Corporation Ohio Franchise Returns.** If all shareholders are full-year Ohio residents, there is no longer a requirement to file an Ohio Franchise tax return for years ending on or after December 31, 2008.
- **Ohio Individual Tax Rates.** Ohio has voted to delay a 2005 initiative that would have reduced tax rates 4.2%. Decrease is delayed until 2011. Ohio tax forms and instructions will not be available as early this year, due to these late developments.
- **Net Operating Losses.** For tax years beginning in 2008 and 2009, qualified small businesses may irrevocably elect to carry back NOL's 3, 4 or 5 years. If the 5 year carry back is elected, taxable income may only be reduced 50%. AMT NOL's under these provisions are not limited to 90% of alternative minimum taxable income, increasing the potential for refunds of AMT tax paid in past years.

Steyer Huber & Associates, Inc. is among the largest firms in Northwest Ohio, with 50 employees in four offices. Most all of the partners and managers come from a "big 4" firm background as well as experience working in Fortune-500 companies.



EMPLOYEE THEFT—BEWARE

With increasingly tough economic times for many Americans, the temptation for some workers to take from their employer more than their allotted salary can be too much. Practical steps can be implemented that will help mitigate the risk of employee theft:

- Require all employees to take a vacation each year. Employees that never miss a day may seem loyal and most probably are. However some employees "can't afford" to miss work fearing that someone filling in for them might uncover their deeds.
- Have duplicate statements of company credit cards sent to someone other than the person who opens the mail and pays the bills. Many small businesses do not have enough resources to properly segregate duties. This one step could easily deter or uncover abuse of company credit cards.

LEGISLATIVE UNCERTAINTY ABOUNDS

At press time the House and Senate continue to grapple with health-care while providing little guidance on other fronts. Here is a snapshot of potential outcomes in the next few weeks:

Estate tax – currently scheduled to be abolished in 2010 and revived in 2011. Look for a one year extension through 2010 leaving the exemption at \$3.5 million and maximum rate of 45%.

Individual Tax Rates – top rate in 2009 and 2010 is 35%. For 2011 as the Bush-era tax cuts expire, top rates hike to 39.6%. Healthcare reform may add an additional 1% to 5.4% (on top of regular rates) in 2011.

Capital Gain Rates – for 2009 and 2010 are between 0% and 15%. For 2011 look for 10% to 20%.

Dividend Rates – for 2009 and 2010 taxed between 0% and 15%. For 2011 look for an increase, potentially as high as ordinary tax rates.

QUICKBOOKS CORNER

QuickBooks 2010 is now available. Here are several new exciting features with the release.

- **New** – INTUIT CHECK SOLUTION for QuickBooks (sold separately) – Scan (or key enter) checks into QuickBooks and the funds are automatically deposited into your bank account. Save time depositing checks, skip trips to the bank and payments are automatically matched to invoices.
- **New** – FAVORITES MENU – Just a click to access your everyday tasks. Personalized for each user and access to the menu from anywhere in QuickBooks.
- **Improved** – COMPANY SNAPSHOT – Get an instant view into the bottom line with more at-a-glance reports featuring easy-to-read graphs. See data from multiple years side-by-side for a quick comparison. 5 new reports are available, allowing you to drill down the data behind the graph with a click.
- Improvements have also been made in the areas of the Report Center, Installation Enhancements, Custom Fields, Form Customization and Online Banking.

ALERTS: *QuickBooks 2007 users – Please note that after May 31, 2010 Intuit will no longer support QuickBooks 2007 products. Intuit supports their latest version which will be QuickBooks 2010 and the two previous versions (QuickBooks 2008 and QuickBooks 2009). For our Enterprise Users support will end for QuickBooks Enterprise Solutions 7.0.** Windows 7 Users – Only QuickBooks 2009 and 2010 will be supported in Windows 7. Please contact one of our professionals to find out what this means to you.