TaxScriptions Rx

"A Prescription For Tax Relief"

ROSEN & ASSOCIATES, LLP
Certified Public Accountants and Financial Advisors

ADCPA
ACADEMY OF DENTAL CPAS

Volume I Issue II

Featured Articles

Important Tax Dates & Deadlines:

December 31, 2009:

Individuals:
4th quarter state estimated tax payment due (if not subject to AMT)

January 15, 2010:

Individuals:
2009 4th quarter estimated tax payments due for federal and state (if subject to AMT)

February 1, 2010:

Businesses:
4th quarter payroll returns due (Forms 940 and 941)

UPCOMING EVENTS

YANKEE DENTAL CONGRESS

January 28 - 30, 2010

*Please come by and see us at **booths 720 & 721** to say hello and pick up the latest **"See How You Compare"** booklet (and a candy bar).*

Comments from the Corner Office

Year-end tax planning could be especially productive this year because timely action can take advantage of a host of tax breaks.

High-income-earners have other factors to keep in mind when mapping out year-end plans. Many observers expect top tax rates on ordinary income to increase in 2011, making long-term deferral of income less appealing. Long-term capital gains rates could go up as well, so it may pay for some to take large profits this year instead of a few years down the road. On the other hand, the solid good news high-income-earners have to look forward to next year is that there no longer will be an income based reduction of most itemized deductions, nor will there be a phaseout of personal exemptions. Additionally, traditional IRA to Roth IRA conversions will be allowed regardless of a taxpayer's income.

We have compiled a list of tax planning items based on current tax rules that may help you save tax dollars if you act before year-end. Not all items will apply in your particular situation, but you (or a family member) will

W-2s need to be distributed to employees

1099 MISC furnished to recipients

February 15, 2010:

Businesses:
Last day for filing W-4 by employees who wish to claim exemption from withholdings

March 1, 2010:

Businesses:
File W-2's with Social Security Administration

File Annual 1099's with IRS

March 15, 2010:

Businesses:
S-Corp Election Decision Due

File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A)

OR

Corporate Extension Due (Form 7004)

April 15, 2010:

Individuals:
File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ)

OR

Individual Extension Due (Form 4868)

likely benefit from many of them.

We can narrow down the specific actions that you can take once we speak with you to tailor a particular plan. In the meantime, please review the following list and contact us at your earliest convenience so that we can advise you on which tax-saving moves to make.

Managing Partner of Rosen & Associates, LLP

2009 Year End Tax Planning

Individuals:

- Those facing a penalty for underpayment of federal or state estimated tax may be able to eliminate or reduce it by increasing their withholdings.
- Review and make appropriate adjustments to your contributions to your employer's 401(k) retirement plan for the remainder of this year.
- $8,000 first-time homebuyer credit (extended November 6th - see **Homebuyer Tax Credit Article** below).
- 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. (**See 10/29/09 R&A Newsletter**).
- Realize losses on stock while substantially preserving your investment position.
- Consider converting traditional-IRA money invested in beaten-down stocks (or mutual funds) into a Roth IRA if eligible to do so. Keep in mind, however, that such a conversion will increase your adjusted gross income for 2009.
- If you are planning to buy a car, do so before year-end in order to receive a deduction for state sales tax and excise tax on the purchase
- Increase the amount you set aside for next year in your employer's health flexible spending account (FSA).
- If you become eligible to make health savings account (HSA) contributions in December of this year, you can make a full year's worth of deductible HSA contributions for 2009.
- You can save gift and estate taxes by making gifts

First Installment of Individual Estimated Tax Due (Form 1040-ES)

Last day to file Form 1040X Amended Individual Tax Return for the 3rd preceding tax year

Estates and Trusts:
File Fiduciary Tax Return (Form 1041)

OR

Fiduciary Extension Due (Form 7004)

Last day to file an Amended Fiduciary Tax Return for the 3rd preceding tax year

Businesses:
File Partnership Income Tax Return (Form 1065)

OR

Partnership Extension Due (Form 7004)

Last day to file an Amended Partnership Tax Return for the 3rd preceding tax year

April 30, 2010

Businesses:
1st quarter payroll returns due (Form 941)

1st quarter sales tax returns due

2009 Auto/Truck Depreciation Limits with Bonus Rules

Qualified Passenger Autos

sheltered by the annual gift tax exclusion before the end of the year. You can give $13,000 in 2009 to an unlimited number of individuals but you can't carry over unused exclusions from one year to the next.

Businesses:

- 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.
- Consider using a credit card to prepay business expenses that can generate deductions for this year.
- Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year. This bonus write-off generally won't be available next year.
- If you are self-employed and haven't done so yet, set up a self-employed retirement plan before year end.
- 15-year write-off for qualified leasehold improvements will not be available next year.

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you.

Exciting Changes to Roth IRA Rules!

By: David Borden, Principle of CCR Wealth Management, LLC

For years, investors who made over $120,000 per year (or $176,000 if filing jointly) could not take advantage of the extraordinary benefits through contributions to a Roth IRA account. Indeed, if your income exceeded $100,000, you couldn't even roll into a Roth from a Traditional IRA or Rollover IRA.

Major changes in effect January 1, 2010, open up the Roth IRA option and its tax benefits to all investors, regardless of income. Investors in this income category can now roll assets from a Traditional IRA or Rollover IRA to a Roth IRA, and can even roll non-deductible annual IRA contributions into a Roth IRA on an annual basis going forward. This strategy allows you to contribute an additional $5,000 into a Roth every year ($6,000 if you're over 50 years old) above and beyond what you rollover in 2010.

Additional good news includes a one-time provision, beginning in 2010 that allows investors to spread the potential tax liability of rolling assets into a Roth IRA over

Tax Year	Amount
1st Tax Year	$10,960
2nd Tax Year	$4,800
3rd Tax Year	$2,850
Thereafter	$1,775

Qualified Trucks and Vans

Tax Year	Amount
1st Tax Year	$11,060
2nd Tax Year	$5,100
3rd Tax Year	$3,050
Thereafter	$1,875

Tips For A Faster Individual Tax Return

Complete the Tax Organizer and send all of the followings documents:

- Bank & Brokerage 1099s
- Settlement Stmts for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

Frequently Asked Questions?

What is the standard business mileage rate for 2009? 55 cents

What is the long-term capital gain rate for

the ensuing two years (2011 and 2012).

Some of the benefits of Roth IRAs:

- Assets grow free of capital gains and income taxation (unlike a Traditional IRA)
- Withdrawals of assets into Roth IRAs are 100% tax free (provided they've been held in the Roth for a minimum of 5 years)
- There is no Required Minimum Distribution amount from a Roth IRA (RMD for a Traditional IRA begins at age 70 ½)
- Heirs do not owe income taxes on inherited Roth IRAs

There are some caveats and things investors wishing to convert to Roth IRAs should be aware of when considering a conversion. We invite you to contact CCR Wealth Management to learn more.

CCR Wealth Management is an independent investment advisory and financial planning firm serving high-net-worth families and practices in the greater New England area. We specialize in investment planning which is driven by an individualized financial plan, and further coordinated with our clients' estate planning components. Additional information can be found at http://www.ccrwealth.com.

Homebuyer Tax Credit

On November 6, the President signed into law H.R. 3548, the ''Worker, Homeownership, and Business Assistance Act of 2009.'' The new law extends and generally liberalizes the tax credit for first-time homebuyers, making it a much more flexible tax-saving tool. It also includes some crackdowns designed to prevent abuse of the credit. These important changes could make it easier for you or someone in your family to buy a home. And because the changes generally aid buyers and aim to improve residential real estate markets nationwide, they also could make it easier for you or someone in your family to sell a home. This Article fills you in on the details you need to know about the first-time homebuyer credit.

Homebuyer credit basics: Before the new law was enacted, the homebuyer credit was only available for qualifying first-time home purchases after April 8, 2008, and before December 1, 2009. The top credit for homes bought in 2009 is $8,000 ($4,000 for a married individual filing separately) or 10% of the residence's purchase price, whichever is less. Only the purchase of a main home located in the U.S. qualifies. Vacation homes and rental properties are not eligible. The homebuyer credit reduces one's tax liability on a dollar-for-dollar basis, and if the credit is more than the tax you owe, the difference is paid

2009? 15%

How much is the 2009 student loan interest deduction and what is the income based phase out?
$2,500 deduction and phased out for single taxpayers with AGI between
$60,000 - $75,000 and married filing joint $120,000 - $150,000

Quick Links

Latest News & Events at Rosen & Associates, LLP

IRS

Massachusetts Department of Revenue

Connecticut Department of Revenue Services

Rhode Island Division of Taxation

Academy of Dental CPAs

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to you as a tax refund. For homes bought after Dec. 31, 2008, the homebuyer credit is recaptured (i.e., paid back to the IRS) if a person disposes of the home (or stops using it as a principal residence) within 36 months from the date of purchase.

Before the new law, the first-time homebuyer credit phased out for individual taxpayers with modified adjusted gross income (AGI) between $75,000 and $95,000 ($150,000 and $170,000 for joint filers) for the year of purchase.

Your guide to the revised homebuyer credit. The new law makes four important changes to the homebuyer credit:

(1) New lease on life for the homebuyer credit. The homebuyer credit is extended to apply to a principal residence bought before May 1, 2010. The homebuyer credit also applies to a principal residence bought before July 1, 2010 by a person who enters into a written binding contract before May 1, 2010, to close on the purchase of the principal residence before July 1, 2010. In general, a home is considered bought for credit purposes when the closing takes place. So the extra two-months (May and June of 2010) helps buyers who find a home they like but can't close on it before May 1, 2010. They can go to contract on the home before May 1, 2010, close on it before July 1, 2010, and get the homebuyer credit (if they otherwise qualify). Note that certain service members on qualified official extended duty service outside of the U.S. get an extra year to buy a qualifying home and get the credit; they also can avoid the recapture rules under certain circumstances.

(2) The homebuyer credit may be claimed by existing homeowners who are "long-time residents." For purchases after November 6, 2009, you can claim the homebuyer credit if you (and, if married, your spouse) maintained the same principal residence for any 5-consecutive year period during the 8-years ending on the date that you buy the subsequent principal residence. For example, if you and your spouse are empty nesters who have lived in your suburban home for the past ten years, you are potentially eligible for the credit if you "move down" and buy a smaller town home. There's no requirement for your current home to be sold in order to qualify for a homebuyer credit on the replacement principal residence. Thus, the replacement residence can be bought to beat the new deadlines (explained above) before the old home is sold. For that matter, you can hold on to your prior principal residence in the hope of achieving a better selling price later on.

The maximum allowable homebuyer credit for qualifying existing homeowners is $6,500 ($3,250 for a married

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individual filing separately), or 10% of the purchase price of the subsequent principal residence, whichever is less.

(3) The homebuyer credit is available to higher income taxpayers. For purchases after November 6, 2009, the homebuyer credit phases out over much higher modified AGI levels, making the credit available to a much bigger pool of buyers. For individuals, the phase-out range is between $125,000 and $145,000, and for those filing a joint return, it's between $225,000 and $245,000.

(4) There's a new home-price limit for the homebuyer credit. For purchases after Nov. 6, 2009, the homebuyer credit cannot be claimed for a home if its purchase price exceeds $800,000. It's important to note that there is no phase-out mechanism. A purchase price that exceeds the $800,000 threshold by even a single dollar will cause the loss of the entire credit.

The new purchase price limitation applies whether you are buying a first-time principal residence or are a qualifying existing homeowner purchasing a replacement principal residence.

Other homebuyer credit changes. The new law includes a number of new anti-abuse rules to prevent taxpayers from claiming the homebuyer credit even though they don't qualify for it. The most important of these are as follows:

- For 2009 tax returns, the homebuyer credit can't be claimed unless the taxpayer attaches to the return a properly executed copy of the settlement statement used to complete the purchase of the qualifying residence.
- For purchases after Nov. 6, 2009, the homebuyer credit can't be claimed unless the taxpayer has attained 18 years of age as of the date of purchase (a married person is treated as meeting the age requirement if he or his spouse meets the age requirement).
- For purchases after Nov. 6, 2009, the homebuyer credit can't be claimed by a taxpayer if he can be claimed as a dependent by another taxpayer for the tax year of purchase. It also can't be claimed for a home bought from a person related to the buyer or the spouse of the buyer, if married.
- Beginning with 2009 returns, the new law makes it easier for the IRS to go after questionable homebuyer credit claims without initiating a full-scale audit.

What hasn't changed? The tax law still gives you the extraordinary opportunity to get your hands on homebuyer credit cash without waiting to file your tax return for the year in which you buy the qualifying principal residence.

Thus, if you buy a qualifying principal residence in 2009 you can treat the purchase as having taken place this past December 31, file an amended return for 2008 claiming the credit for that year, and get your homebuyer credit cash relatively quickly via a tax refund. Similarly, you can treat a qualifying principal residence bought in 2010 (before the new deadlines) as having taken place on December 31, 2009, and file an original or amended return for 2009 claiming the credit for that year.

What also hasn't changed is the need for getting expert tax advice in negotiating through the twists and turns of the new beefed-up homebuyer credit. Please call us today for details on how the homebuyer credit can help you or your family members.

2010 Tax Numbers

	2009	2010
Annual Ret. Plan Participant Comp. Limit	$245,000	$245,000
Ann. Def. Contrib. Plan Part. Dollar Limit	49,000	49,000
401(k) Employee Elective Deferral Limit	16,500	16,500
401(k) Catch-Up Contrib. Age 50 & Over	5,500	5,500
SIMPLE Plan Employee Elective Def. Limit	11,500	11,500
SIMPLE Plan Catch-Up Contr. Age 50 & Over	2,500	2,500
IRA (Roth & Traditional) Contribution Limit	5,000	5,000
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	1.0M	1.0M
Federal Lifetime Estate Tax Exclusion	3.5M	Unlimited
Maximum Federal Estate Tax Rate	45%	0%
Maximum Federal Gift Tax Rate	45%	35%
Annual Gift Tax Exclusion Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	250,000	134,000
Social Security Taxable Wage Base	106,800	106,800
Standard Deduction (Single)	5,700	5,700
Standard Deduction (Married Filing Jointly)	11,400	11,400

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