

Newsletter

MARCH 2009

Note these tax deadlines

- **March 2** – Payers must file 2008 information returns (such as 1099s) with the IRS. This deadline is extended to March 31 if you file electronically.
- **March 2** – Employers must send 2008 W-2 copies to the Social Security Administration. The deadline is extended to March 31 if you file electronically.
- **March 2** – Farmers and fishermen who did not make 2008 estimated tax payments must file 2008 tax returns and pay taxes in full.
- **March 16** – 2008 calendar-year corporation income tax returns are due.
- **March 16** – Deadline for calendar-year corporations to elect S status for 2009.
- **March 31** – Deadline for taxpayers who file electronically to file 2008 information returns (such as 1099s) with the IRS.
- **March 31** – Deadline for employers who file electronically to send copies of 2008 W-2s to the Social Security Administration.

Tax breaks are included in the new *Recovery Act*

The *American Recovery and Reinvestment Act of 2009* includes a bevy of new tax breaks. The key provisions summarized below are generally retroactive to January 1, 2009.

- **Making work pay credit.** Employees and self-employed can claim a credit for 2009 and 2010 equal to the lesser of 6.2% of earned income or \$400 (\$800 for joint filers). The credit phases out once adjusted gross income (AGI) reaches \$75,000 for singles and \$150,000 for couples.
- **Alternative minimum tax (AMT).** The new law creates another “patch” for 2009 through higher exemption amounts: \$46,700 for singles and \$70,950 for couples. This change will prevent an estimated 26 million middle-income taxpayers from being hit by the AMT.
- **First-time homebuyer’s credit.** This credit is enhanced for 2009. The maximum credit increases from \$7,500 to \$8,000 for homes purchased from January 1, 2009, through November 30, 2009. Repayment isn’t required if you live in the home at least three years. Phase-out of the credit remains for an AGI above \$75,000 for singles and \$150,000 for joint filers.

- **New vehicle deductions.** A buyer can claim a new above-the-line deduction for sales and excise taxes on the first \$49,500 of a vehicle's price. The deduction phases out for an AGI above \$125,000 (\$250,000 for joint filers). It applies to 2009 purchases after February 16.
- **Education credits.** For 2009 and 2010, the maximum Hope credit – renamed the “American Opportunity Tax Credit” – increases from \$1,800 to \$2,500 and may be claimed for all four years of college (instead of the first two). Phase-out begins at \$80,000 of AGI for singles and \$160,000 for joint filers.
- **Depreciation deductions.** The enhanced Section 179 deduction and 50% bonus depreciation, which had expired after 2008, are reinstated for qualified assets placed in service in 2009. The maximum Section 179 deduction stays at \$250,000 while the reduction threshold remains at \$800,000.
- **Net operating losses (NOLs).** A small business with gross receipts of \$15 million or less can carry back net operating losses for five years instead of two. This applies only to losses in tax years beginning or ending in 2008.
- **Child tax credit.** The refundable portion of the child tax credit is increased for 2009 and 2010 by lowering the income threshold for refundability from \$8,500 to \$3,000.
- **Energy incentives.** Among numerous energy provisions, the new law increases the residential energy credit from 10% to 30% and raises the maximum cap to \$1,500 for installations in 2009 and 2010.

There's much more in the new law, ranging from a tax exclusion for \$2,400 of unemployment benefits in 2009 to a one-time \$250 payment to certain retirees and veterans. For guidance in tax planning under these latest changes, contact us.

Don't miss these extra tax deductions

If you've given up itemizing deductions, you're not alone. These days over half of all taxpayers find they're better off using the standard deduction. But even if you take the standard deduction, you can also deduct some individual expenses, including the following:

- **IRA and HSA contributions.** On your 2008 tax return you may qualify to deduct up to \$5,000 in contributions to a traditional IRA. That increases to \$6,000 if you're age 50 or older. Income limitations may apply in some cases. You can't deduct contributions to Roth IRAs.
Health Savings Accounts (HSAs) are IRA-like accounts set up in conjunction with a high-deductible health insurance policy. The annual contributions you make to your HSA are deductible (within limits).
- **Student loan interest and tuition fees.** Deduct up to \$2,500 interest on student loans for yourself, your spouse, and your dependents. For 2008, you can also deduct up to \$4,000 of tuition and fees for qualified higher education courses. Income limitations apply, and you must coordinate these deductions with other education tax breaks.

ENGELMAN ACCOUNTANCY CORPORATION
520 So. El Camino Real, Suite 410
San Mateo, CA 94402
650.344.6525 FAX 650.344.6369
www.engelmanaccountancy.com

- **Self-employment deductions.** If you're self employed, you can generally deduct the cost of health insurance premiums, retirement plan contributions, and one-half of self-employment taxes.
- **Other deductions.** Don't overlook deductions for alimony you pay, certain moving expenses, and early savings withdrawal penalties. Teachers can deduct up to \$250 for classroom supplies that they purchased with their own money in 2008. Non-itemizers can also deduct up to \$1,000 (\$500 for single filers) in real estate property taxes paid in 2008.

Contact our office for more information on these and other deductions you may be entitled to take.

ENGELMAN ACCOUNTANCY CORPORATION
520 So. El Camino Real, Suite 410
San Mateo, CA 94402
650.344.6525 FAX 650.344.6369
www.engelmanaccountancy.com