

Newsletter

SEPTEMBER 2009

Tax filing reminders

- **September 15** – Third quarter installment of 2009 individual estimated income tax is due.
- **September 15** – Filing deadline for 2008 tax returns for calendar-year corporations that received an automatic extension of the March 16 filing deadline.
- **September 15** – Filing deadline for 2008 partnership tax returns that received an extension of the April 15 filing deadline.
- **October 1** – Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2009.
- **October 15** – Deadline for filing 2008 individual tax returns on extension.

Review your investments to increase after-tax returns

This is a good time of year to review and rebalance your investment portfolio. Although the recent market volatility has been disastrous for many investors, there may still be some year-end moves you can make that will cut your 2009 taxes and increase your after-tax returns. As you identify investments to buy and sell, keep the following tax implications in mind:

- ***First, remember that any sales you make*** within your retirement accounts are free of tax. If you need to trade just to rebalance your portfolio, consider doing it in your IRA or 401(k) plan.
- ***If you're selling investments to weed out poor performers***, remember that losses can cut your tax bill. You can use capital losses to offset taxable gains, plus up to \$3,000 of other income. If you still have losses left over, you can carry them forward to use in future years.
- ***Not all dividends on stocks and mutual funds are taxed at the same rate.*** "Qualified" dividends paid by most U.S. and some foreign companies enjoy lower rates of 5% or 15%, depending on your tax bracket.
- ***You can often manage the size of your gain or loss*** when you decide to sell some, but not all, of a particular stock or mutual fund. To do this, you must have kept good records of the

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date and the price for each share purchase. By selling the highest cost shares first, you'll minimize your taxable gain or maximize your loss. You must specify the particular shares you are selling at the time you sell.

- **Don't forget to include any reinvested dividends** when you calculate your cost basis for mutual fund shares.
- **If you're planning to buy or sell mutual fund shares** close to year-end, take the tax consequences of the fund's year-end distribution into account.
- **If you want to dispose of stock that has appreciated**, consider donating it to your favorite charity. You can generally claim a deduction for the appreciated value and avoid paying any tax on your gain.

Give us a call to find out more about year-end investment tax planning.

IRS urges small businesses to use tax breaks

The *American Recovery and Reinvestment Act*, the economic stimulus law passed earlier this year, included a number of tax-saving opportunities for businesses. Because some of these tax breaks are available for a short time only, the IRS is urging small businesses to act now to benefit from the provisions.

- **Equipment purchases.** The \$250,000 limit for immediately expensing qualified equipment purchases was extended through 2009. The deduction is gradually reduced once annual equipment acquisitions exceed \$800,000. Both new and used equipment qualify for this tax break. Sport utility vehicles are still subject to the \$25,000 expensing limit.

In addition to the expensing option, purchases of new equipment, software, and qualified leasehold improvements can qualify for 50% first-year bonus depreciation through the end of 2009.

- **Expanded net operating loss carryback.** The 2009 law extended the carryback period for 2008 net operating losses from two years to as many as five years. To be eligible for the extended period, a business's average annual gross receipts for the last three years must be \$15 million or less.

This option is available to eligible taxpayers for a limited time. A corporation that operates on a calendar-year basis, for example, must file a claim by September 15, 2009, while eligible individuals (sole proprietors, partners in a business partnership, and S corporation shareholders) have an October 15, 2009, deadline.

- **COBRA credit.** Employers providing the 65% COBRA health insurance premium for former employees claim credit for this subsidy on their quarterly or annual employment tax returns. According to the IRS, businesses can ease cash flow problems by reducing their employment tax deposits by the amount of the credit. The IRS website at www.irs.gov provides details.

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For guidance in identifying and utilizing both new and old tax breaks for your business, give us a call now.

It's time to start year-end tax planning

An important part of our service to you is helping to identify actions you can take before year-end to minimize your 2009 income tax bill. Accelerating deductions, delaying income, contributing to retirement plans, and taking investment losses are all strategies you might want to consider. There are also tax credits that require careful planning or they may be lost.

If you'd like to discuss tax-cutting options that fit your particular situation, please contact us *soon* for a year-end tax planning review.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.