

2009 TAX SAVING OPPORTUNITIES AND 2010 TAX OUTLOOK



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Circular 230 Disclosure

- Any tax advice in this communication is not intended to be a "covered opinion" as described under IRS Circular 230. It is therefore not intended to be used, and cannot be used, by a client or any other person or entity for the purpose of avoiding penalties that may be imposed on a taxpayer.

2009 isn't over yet!

- Various tax filing due dates

- State & Local

- Department of Revenue Excise Tax return
January 25th, or February 1 for quarterly filers
 - Department of Labor & Industries, and
Department of Employment Security
February 1st
 - Various city business taxes
Generally February 1st
 - Personal Property Affidavits - County
April 30th

2009 isn't over yet!

□ Various tax filing due dates

■ Federal

■ Payroll Tax Forms 941 and 940

Forms W-2

Forms 1099

- All due February 1st

■ Form 8027, Tip Reporting – March 1st (31st if electronically)

■ Federal income tax returns

■ Corporations, LLC's taxed as Corporations – March 15th

■ Partnerships, LLC's taxed as Partnerships, and Individuals

- April 15th

Get ready to file your income tax return

□ Business information

- Insure that your financial statements are up-to-date as of year end

Assets:

- Cash balance reconciled to the balance shown by your bank
- Credit card receivables adjusted to actual
- Any “house accounts” or advances to employees adjusted to actual
- Inventory balances adjusted to actual
- Have all equipment purchases or facility improvements been capitalized, and not expensed?
- Has depreciation been recorded?
- All prepaid items properly accounted for?

Get ready to file your income tax return

□ Business information

Liabilities:

- Bank loan or Line of Credit balance adjusted to actual
- Vendor payables, Payroll tax payables, Outstanding Gift Certificates, all adjusted to actual
- Have all other existing liabilities been recorded?

Income and Expenses:

- Scan for reasonableness
 - No negative expense accounts
 - No larger “suspense” or “Miscellaneous” accounts
 - If there are, investigate and adjust as needed

Get ready to file your income tax return

- Provide your tax return preparer with...
 - Complete, adjusted, financial statements (Balance Sheet & Income Statement)
 - Copies of all Forms 1099 you may have received
 - A copy of the completed Form 8027
 - A copy of the Form W-3 or summary Form W-2
 - A list of new equipment purchases, and disposals for the year. Include date acquired or sold, cost, or proceeds, and a description of the item.

Tax issues to be aware of for 2009

- ❑ Up to \$250,000 of new equipment purchased in 2009 can be expensed IF you have a profit
- ❑ Can claim “bonus depreciation” on new equipment purchased in 2009
- ❑ Claiming the Tip Credit can result in significant income tax savings
- ❑ Determine if any employees may qualify for claiming the Work Opportunity Tax Credit

Tax issues to be aware of for 2009

- ❑ Businesses located within certain areas of Tacoma may qualify for claiming the Renewal Community wage credit
- ❑ Energy tax credits
- ❑ A net operating loss incurred within 2009 may be eligible for a 5-year carryback period
- ❑ Business and personal tax credit for purchase of hybrid, alternative fuel, and qualified plug-in electric vehicles

Tax issues to be aware of for 2009

- Personal tax credits for energy-efficient improvements to your home
- Personal tax credit for a qualified first-time home purchase during 2009
- Personal credits available for college expenses
- Deduction allowed on 2009 tax return for cash donations related to Haiti earthquake, made after January 11th and before March 1, 2010

What's on the horizon for 2010 and beyond?

- Healthcare reform?
- Corporate tax rates – Unchanged in 2010 (2011?)
- Up to \$135,000 of new equipment purchases can be expensed in 2010
 - For 2011, limit is \$25,000
- No “bonus depreciation” for equipment purchased in 2010 and beyond
- Net operating losses eligible for only 2-year carryback for 2010 and beyond

What's on the horizon for 2010 and beyond?

- Individual tax rates - 2010
 - 2010: 10%, 15%, 25%, 28%, 33%, 35%
 - 2011: 15%, 28%, 31%, 36%, 39.6%
- Long-term capital gain tax rate – 2010
 - 2010: 5% or 15%
 - 2011: 10% or 20%
- “Qualified” Dividend Income
 - 2010: Taxed at long-term capital gain rates
 - 2011: Taxed at ordinary individual tax rates

What's on the horizon for 2010 and beyond?

- Net operating losses eligible for only 2-year carryback
- Federal estate tax is not in effect for 2010
- Federal estate tax is reinstated in 2011 for estates >\$1 million, with a 60% top tax rate
- Conversion of IRA's to Roth IRA's eligible to all individuals
 - Amount converted is recognized as taxable income
 - Income recognized 50% in 2011 and 2012
 - Can opt out of 2-year spread and recognize all in 2010

What's on the horizon for 2010 and beyond?

- Homebuyer tax credits
 - If purchase before *May 1, 2010*
 - Up to \$8,000 for first-time homebuyers
 - Up to \$6,500 if buying a replacement residence
- Increased IRS activity
 - Seattle office hired 18 new auditors in 2009
 - Focusing on individuals, and business employment tax audits
 - Random payroll tax audits starting in February

Thank you for participating!

Questions?

“Tax complexity itself is a kind of tax.”
Senator Max Baucus, Dem. Montana
Chairman, Senate Finance Committee