



“Happy July 4th”



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We are pleased to provide you with our online informational newsletter, which we believe you will find of interest. Every month, brief articles on relevant topics are included, along with a tax calendar for the current and following month.

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July 2009

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President and First Lady Release 2008 Tax Return

On 4/15/09, President and Mrs. Obama released their 2008 joint federal income tax return. According to the news release, the vast majority of the family's 2008 income came from proceeds from the sale of the President's books. President and Mrs. Obama reported AGI of \$2,656,902 and paid \$855,323 in federal income tax. In addition, they reported donations totaling \$172,050 (about 6.5% of their AGI) to 37 different charities, with the largest reported donations of \$25,000 each to CARE and to the United Negro College Fund.

Obama Signs Cash-for-Clunkers Bill

First of all, it's no longer Cash-for-Clunkers. The program is now called the Car Allowance Rebate System (C.A.R.S). The program, which President Obama recently signed into law, pays consumers up to \$4,500 for trading in their cars or trucks for those that are more fuel efficient. The law allocates \$1 billion for the program.

Of course, there are plenty of regulations to determine what vehicles qualify for the credit. The National Highway Traffic Safety Administration, which is overseeing the program, has put together www.cars.gov to help consumers who would like to participate in the program.

In a nutshell, your vehicle qualifies for the trade-in credit if:

- It is less than 25 years old.
- It gets 18 miles a gallon or less.
- It is drivable.
- It is registered to you.
- It has been insured by you for the past year.

The C.A.R.S. rebate does *not* count on top of the trade-in value of your vehicle. In the F.A.Q section of CARS.gov: "The law requires your trade-in vehicle to be destroyed. Therefore, the value you negotiate with the dealer for your trade-in vehicle is not likely to exceed its scrap value."

- N.H.T.S.A. warns consumers of unofficial C.A.R.S. Web sites that are now popping up, reports USA Today. "Some want a lot of personal information, and talk about consumers being able to pre-register," said Eric Bolton, a N.H.T.S.A. spokesman. "Consumers don't have to register for this program at all."

Residential Energy Credit

One way to control the cost of home energy use is to make your home more energy efficient. Better still when those energy-saving improvements qualify for a federal tax credit. Fortunately, individual taxpayers are allowed a personal tax credit for energy-efficient improvements to their principal residence. The Nonbusiness Energy Property Credit (Residential Energy Credit) has been available since 2006, but the recently passed American Recovery and Reinvestment Act of 2009 (Stimulus Act) substantially increased this credit available for energy-efficient home improvements.

The Stimulus Act modified the Residential Energy Credit by increasing the 10% rate to 30%. In addition, the dollar limitations on residential energy property expenditures have been eliminated; instead, all energy property that was previously eligible for the \$50, \$150, and \$300 credits is eligible for the 30% credit. Also, with the Stimulus Act, the \$500 lifetime cap (\$200 for windows) is eliminated and replaced with an aggregate \$1,500 cap for 2009 and 2010. Finally, the Residential Energy Credit was originally set to expire at the end of 2009, but the Stimulus Act extends the credit through Dec. 31, 2010.

Most of us are prone to complain about the cost of energy and the amount of taxes we pay. The Residential Energy Credit provides a way to save on both energy costs and taxes.

Hybrid Vehicle Credit Update

If you are considering a hybrid vehicle purchase in 2009, a tax credit of up to \$3,400 may be enough to help make that decision. In addition, thanks to the American Recovery and Reinvestment Act of 2009 (Stimulus Act), the really good news for 2009 purchases is that the credit is now allowed against alternative minimum tax (AMT). Top this with the fact that the credit has no AGI phase-out limit, and you've got a whole new ballgame. But, you need to be careful—the amount of credit available depends on which hybrid you buy, and some of the most popular models are no longer eligible. Also, only purchases of new (not used) vehicles qualify.

The actual credit allowed varies by vehicle. Furthermore, the credit is phased out once a manufacturer sells 60,000 hybrid vehicles. Lexus, Toyota, and Honda all hit this mark in previous years, so no 2009 purchase of their hybrids qualifies for a credit.

Ford and Mercury hit the 60,000 sales mark during the last quarter of 2008, which means the full credit for these vehicles is no longer available. However, 50% of the credit for Ford and Mercury vehicles will be allowed for purchases made from April 1, 2009, through September 30, 2009, and 25% of the credit will be available for purchases made from October 1, 2009, through March 31, 2010. So, if you're interested in a Ford or Mercury hybrid, you'll want to make the purchase before October 1, 2009, to get 50% (rather than 25%) of the credit.

The full credit is still available on hybrids manufactured by Mazda, Mercedes-Benz, Nissan, and Volkswagen and on certain General Motors vehicles.

There is also a credit for advanced lean burn technology vehicles, but no one had produced vehicles to which this credit applied until the last half of 2008 when Mercedes-Benz and Volkswagen released their versions. Since then, BMW and Audi have added vehicles to this list.

Appliance Rebate Program

Governor Crist has signed a bill creating a rebate program for consumers purchasing energy-efficient appliances. The state will use \$18 million in federal funds and \$150,000 from state coffers, which would provide an average 20-percent reduction for appliances that meet energy efficiency standards. That could mean around \$290 for refrigerators, \$200 on clothes dryers, freezers and dishwashers, and between \$40 and \$65 on room air conditioners and humidifiers. The Florida Energy Commission will develop and manage the program which is part of a \$300 million stimulus provision to boost Energy Star-labeled products. Stay alert for more information on this program, expected to begin July 1, 2009.

JULY 2009

July 10

Employees who work for tips. If you received \$20 or more in tips during June, report them to your employer. You can use Form 4070.

July 15

Employers. For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in June if the monthly rule applies.

July 31

Social Security, Medicare, and withheld income tax. File Form 941 for the second quarter of 2009. Deposit any undeposited tax. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until August 10 to file the return.

Federal unemployment tax. Deposit the tax owed through June if more than \$500.

All employers. If you maintain an employee benefit plan, such as a pension, profit-sharing, or stock bonus plan, file Form 5500 or 5500-EZ for calendar year 2008. If you use a fiscal year as your plan year, file the form by the last day of the seventh month after the plan year ends.

AUGUST 2009

August 10

Social Security, Medicare, and withheld income tax. File Form 941 for the second quarter of 2008. This due date applies only if you deposited the tax for the quarter in full and on time.

Employees who work for tips. If you received \$20 or more in tips during July, report them to your employer. You can use Form 4070.

August 17

Social Security, Medicare, withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in July.

Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in July.