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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.

Interested in knowing more about our firm? Please take a minute to browse our website at www.cohensmithcpas.com.

Other helpful on-line services

www.IRS.gov

www.MyFlorida.com

www.Volusia.org

April 2009

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Tax Reform – Obama Style

Recently, the Obama administration started gathering top individuals to serve on a task force to review and “rebalance” the Internal Revenue Code. The task force goals are greater simplification, higher levels of compliance, and continued rate progressivity.

Consistent with election promises, the panel has been directed not to increase taxes on families earning less than \$250,000 a year and not to increase taxes in 2009 and 2010, and the task force's timetable is to have conclusions ready for the 2011 budget. In the meantime, we'll just have to wait to learn specifics and hope for a swift and strong economic recovery.

IRS Issues Winter 2009 Statistics of Income Bulletin

The IRS released the Winter 2009 issue of the *Statistics of Income Bulletin*, which features information on 2006 individual income tax returns. Taxpayers in the top 1% of reported AGI for 2006 accounted for 22.1% of all AGI and 39.9% of the total income tax reported, while taxpayers in the top 5% accounted for 36.7% of AGI and 60.1% of total income tax.

Tax Relief Provisions of the Stimulus Act

After a great deal of political maneuvering, H.R. 1, the American Recovery and Reinvestment Act of 2009 (Stimulus Act), was approved by Congress and signed into law by the President. The Stimulus Act provides tax relief for individuals and businesses alike.

Individuals: A provision of the Stimulus Act makes many individual taxpayers eligible for the Making Work Pay Credit (Work Credit). Eligible taxpayers will receive a 6.2% reduction in their federal income tax withholding or estimated payment requirement in 2009 *and* 2010. The maximum Work Credit benefit is \$400 for individuals and \$800 for families. This benefit will *begin* to phase-out when an individual's adjusted gross income (AGI) reaches \$75,000 (\$150,000 for married couples filing jointly).

The Stimulus Act also provides a one-time payment of \$250 to adults eligible for social security, railroad retirement, or veterans' benefits and individuals of any age receiving SSI benefits. In addition, the Stimulus Act provides a one-time \$250 (\$500 for a joint return where both spouses are eligible) refundable credit to certain federal and state pensioners who are not eligible for Social Security benefits. The Stimulus Act modifies and renames the Hope Scholarship Credit. The American Opportunity Tax Credit (Opportunity Credit) provides assistance to those seeking a college education. Eligible taxpayers can receive an Opportunity Credit of up to \$2,500 per eligible student in 2009 *and* 2010 to cover the cost of qualified tuition and related expenses paid during the year. A related provision allows students to use 529 Plan education distributions for the purchase of computers and computer technology in 2009 *and* 2010, similar to Education Savings Accounts.

The First-time Home Buyer Credit was increased from \$7,500 to \$8,000 by the Stimulus Act and the obligation to repay the credit was generally eliminated for homes purchased after December 31, 2008. The Stimulus Act also extends availability of this credit for an additional five months through November 30, 2009.

To encourage the sale of automobiles, the Stimulus Act provides a deduction for state and local sales taxes and the excise tax paid on the purchase of new cars, light trucks, motorcycles, and motor homes purchased this year.

The Stimulus Act contains provisions extending the tax credits for energy-saving improvements to existing homes; increasing the Earned Income Credit and the refundable portion of the Child Credit; increasing and extending unemployment benefits; eliminating the federal tax on the first \$2,400 of unemployment benefits; and subsidizing COBRA payments for certain involuntarily terminated workers.

Finally, the Stimulus Act provides relief from the Alternative Minimum Tax (AMT) in 2009 for 26 million families by increasing the amounts exempt from the AMT.

Businesses: The Stimulus Act temporarily extends the higher Section 179 expense amounts available in 2008 for an additional year. Under this provision, business owners can elect to immediately expense up to \$250,000 of qualified equipment purchased during the 2009 tax year, rather than depreciate it over time. This benefit will continue to phase-out on a dollar-for-dollar basis once qualified equipment purchases exceed \$800,000.

The Stimulus Act also extends availability of the 50% bonus depreciation provision for capital expenditures incurred in 2009 (2010 for aircraft and long-production-period property). This provision allows business owners to take 50% bonus depreciation in the year that the property is placed in service. In addition, the Stimulus Act extends the placed-in-service deadline for the \$8,000 increase in first-year depreciation provision on qualified vehicles placed in service by December 31, 2009.

The current difficult economic situation has likely caused many businesses to incur a net operating loss (NOL) in 2008. Before the Stimulus Act, NOLs could generally be carried back only two years and, if there was a tax liability in those two years, taxes paid could be refunded to the taxpayer. For 2008 NOLs, the Stimulus Act extends the two-year carry-back to three, four, or five years increasing the likelihood, availability, and amount of the refund to enhance the business's cash flow.

Other business provisions of the Stimulus Act include an increased exclusion amount for a gain from the sale of small business stock, easing of the built-in-gains rules, delayed recognition of certain cancellation of debt income, and incentives to hire unemployed veterans and disconnected youth.

Please call us if you have questions about how the Stimulus Act might impact you or your business.

Retirement, Gift, and Estate Planning Limitations for 2009

New limitations are effective in 2009 for some types of retirement plans, gifts, and estate taxes. First of all, the IRA contribution limit is unchanged at \$5,000 in 2009 (for individuals with at least that much in earned income). In addition, the IRA catch-up contribution amount for taxpayers age 50 and older by year-end remains at \$1,000. So, a qualified individual can save up to \$6,000 in an IRA while a qualified married couple can save up to \$12,000, as long as they have at least that much in earned income and both are age 50 or more by year-end.

Qualified retirement [401(k), 403(b), and 457] plan deferral (contribution) limits increase by \$1,000 to \$16,500 in 2009. Taxpayers age 50 or more by year-end are eligible to make an additional catch-up contribution of up to \$5,500, an increase of \$500 from last year. So, it is possible for an eligible employee to sock away up to \$22,000 (\$16,500 + \$5,500) in a qualified plan this year. SIMPLE plan deferral limits increase by \$1,000 to \$11,500 in 2009. Catch-up contributions of \$2,500 (unchanged from the prior year) can also be made to a SIMPLE plan by taxpayers who are age 50 or more at year-end.

The annual gift tax exclusion increases by \$1,000 in 2009 to \$13,000, or \$26,000 when a married couple makes a gift-splitting election. The estate tax exclusion increases by \$1.5 million to \$3.5 million this year. The estate tax exclusion can be used to bequeath up to a total of \$3.5 million to nonspouse beneficiaries and escape taxation. (Transfers to a spouse can generally be made estate tax-free using the unlimited marital deduction.)

Help for Business Owners

Established as “the Official Link to the U.S. Government,” Business.GOV at *www.business.gov* is a unique website for business owners. Operated by the Small Business Administration, this website offers business owners information on how to find loans and grants, start a home-based business, register a business name, search or register a corporation, obtain a business license, get information on employment laws, and bid on government contracts.

Within the loans and grants area, for example, business owners can search for loans, grants, and financing using a checklist starting with the business type. The user may then select the type of financing needed, e.g., working capital. He or she is then given a list of several loan programs to review and pursue to obtain a working capital loan.

This website provides an avenue for business owners to locate financing or other assistance to help survive the current economic situation.

Zero Growth

State forecasters project that for the first time since the state began making population estimates nearly 60 years ago, Florida’s population growth has come to a standstill. The state is expected to have about the same population – 18.8 million – in April of this year as it did in April 2008. That marks one of the most radical demographic changes in state history, although Florida is still attracting newcomers. About 213,000 people are expected to move here in the coming year, the Legislature’s demographers say. Those newcomers are offset by people who are leaving the state or are no longer counted. Economists believe aging baby boomers will start coming back to Florida once their financial investments recover and the housing market takes an upswing.

Small Business Insurance

Curious about the availability of small employer health insurance plans in Volusia County? The State Office of Insurance Regulation provides Small Employer Health Insurance Search at <https://apps.fldfs.com/sercs>. Select “Search Small Employer Rates – Find insurance plans and rates for your company.” You’ll also find a “Frequently Asked Questions” button on the same page.

APRIL 2009

April 10

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

April 15

Individuals. File an individual income tax return for 2008. If you want an automatic six-month extension of time to file your return, file Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Alternatively, you can get an extension by phone or over the Internet if you pay part or all of your estimated income tax due with a credit card. Then file Form 1040, 1040A, or 1040EZ by October 15.

If you are not paying your 2009 income tax through withholding (or will not pay in enough tax during the year that way), pay the first installment of your 2009 estimated tax. Use Form 1040-ES.

Note that April 15 is also the deadline for making contributions to IRAs or Roth IRAs for 2008.

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

Household employers. If you paid cash wages of \$1,500 or more in 2008 to a household employee, file Schedule H (Form 1040) with your income tax return and report any employment taxes. Report any federal unemployment (FUTA) tax on Schedule H if you paid total cash wages of \$1,000 or more in any calendar quarter of 2007 or 2008 to household employees. Also report any income tax you withheld for your household employees.

Partnerships/LLCs. File a 2008 calendar year return (Form 1065). Provide each partner with a copy of Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., or a substitute Schedule K-1. If you want an automatic five-month extension of time to file the return and provide Schedule K-1, file Form 7004. Then file Form 1065 by September 15.

Electing large partnerships. File a 2008 calendar year return (Form 1065-B). If you want an automatic five-month extension of time to file the return, file Form 7004. Then file Form 1065-B by September 15.

Trusts and Estates. File a 2008 calendar year return (Form 1041). Provide each beneficiary with a copy of Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., or a substitute Schedule K-1. If you want an automatic five-month extension of time to file the return and provide Schedule K-1, file Form 7004. Then file Form 1041 by September 15.

Corporations. Deposit the first installment of estimated income tax for 2009.

Gift Tax Returns. If you made taxable gifts in 2008, file Form 709.

April 30

If you have employees, a federal unemployment tax (FUTA) deposit is due if the FUTA liability through March 31 exceeds \$500.

The first quarter Form 941 (Employer's Quarterly Federal Tax Return) is also due today (except that you have until May 10 to file if you deposited all taxes for the quarter when they were due).

MAY 2009

May 11

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

May 15

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