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April 2009

“Working together for you.”

Criser, Gough, & Parrish

The Advisor

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Friendly Reminders

- ⇒ **Our offices will close at 3 p.m. on Wednesday, April 15 and re-open at 8 a.m. on Friday, April 17.** This will allow our employees to spend time with their families who haven't seen much of them for the past few months.
- ⇒ **All e-file authorization forms (Form 8879) MUST be received in our office by Tuesday, April 14** to ensure timely filing.
- ⇒ **Any tax return information received after Saturday, April 4** may cause the tax return to be put on extension.

A person doesn't know how much he has to be thankful for until he has to pay taxes on it.

— Author Unknown

Thank You!

It's March 25th and I am sitting in my office trying to get a few more tax returns done. It is easy for us boring accountants to complain this time of year but, in reality, I love it. I get to see clients, who have become good friends, who I haven't seen since last year. I get to work with the greatest accountants and staff anyone could ask. We help keep each other going, especially when it is a nice spring day outside.

Please forgive me if I don't thank you enough for you letting us be your accountants. We depend on you for our livelihood and for referring us your friends and relatives as new clients. Thank you!!

As the news makes perfectly evident, the president has proposed a new budget and it appears to be a whopper. We can anticipate many changes in the near future and probably most of the tax changes will be increases. We promise to keep you as up to date as possible on any changes we see coming.

Thank you again for your faith in us and be sure to tell anyone you believe we can help to contact us. We love your referrals.

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Tax-Savers for Individuals in the New Stimulus Law

The massive new “American Recovery and Re-investment Act of 2009” hammered out by Congress—and signed by President Obama on Feb. 17—includes numerous tax breaks designed to help both individuals and small businesses. Generally, the tax provisions are retroactive to Jan. 1, 2009.

Tax Breaks for Individuals

Put new tax credit to work. The centerpiece of the president's tax plan is the new “Making Work Pay Credit.” For 2009 and 2010, a worker can claim a credit equal to the lesser of 6.2% of earned income or \$400 for single filers; \$800 for joint filers.

The credit phases out at a 2% rate if AGI is \$75,000 or above for single filers; \$150,000 for joint filers.

The credit is also available to self-employed individuals. Apply it to net earnings from self-employment activities.

Pocket one-time payment. The new law authorizes a special payment of \$250 to certain taxpayers living on a fixed income, such as Social Security recipients, railroad and government retirees and disabled veterans. It's likely the checks will be distributed in the same manner as the 2008 stimulus payments.

If you receive this one-time economic recovery credit, you must reduce any Making Work Pay Credit for 2009.

Seek shelter from AMT. Instead of waiting until the end of the year, Congress provided an

early alternative minimum tax (AMT) “patch” for 2009.

First, the new law extends the rule allowing taxpayers to use certain personal credits to offset AMT liability. Second, it bumps up the exemption amounts that are part of the AMT calculation. The new exemption amounts for 2009 are \$46,700 for single filers (up from \$46,200 for 2008); \$70,950 for joint filers (up from \$69,950 for 2008).

Gear up for new car-buyer deduction. If an individual buys a new vehicle this year, he or she may be entitled to a deduction for the sales and excise taxes attributable to the first \$49,500 of the purchase price. But the deduction phases out for an AGI exceeding \$125,000 for single filers; \$250,000 for joint filers.

The list of eligible vehicles includes cars, motorcycles, light trucks and SUVs, as long as the purchaser is the original buyer and the vehicle does not weigh more 8,500 gross pounds. Motor homes may also qualify.

The new deduction is only available for purchases between Feb. 17 and Dec. 31, 2009.

Learn new education credit rule. For 2009 and 2010, the new law temporarily enhances the Hope Education Credit (now dubbed the “American Opportunity Tax Credit”).

The maximum credit of \$1,800 for 2008 is available only for a student in the first two years of college.

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Under the revamped credit, the maximum amount of \$2,500 may be claimed for all four years of study. The credit phaseout begins when the AGI exceeds \$80,000 for single filers up from \$48,000 for 2008); \$160,000 for joint filers (up from \$96,000 for 2008).

The prior rules still apply to tuition paid in 2008 for a semester beginning in 2009.

Latch onto homebuyer's credit. If an individual didn't take advantage of the first-time homebuyer credit last year, now may be the right time.

The new law retools the credit for homes purchased in 2009. Previously, the credit applied to homes purchased after April 8, 2008, and before July 1, 2009. Under the new law, the maximum credit increases from \$7,500 to \$8,000 for purchases after 2008 and before Dec. 1, 2009. Plus, the homebuyer doesn't have to repay the credit to the IRS if he or she lives in the home for at least three years.

The phaseout rules for the credit still apply. The credit phases out when AGI exceeds \$75,000 for single filers; \$150,000 for joint filers.

Soften pain of unemployment. If an individual has been laid off or terminated from a job, the new law provides some relief. The first \$2,400 of unemployment benefits received in 2009 is exempt from federal income tax. Any unemployment benefits received above the \$2,400 threshold remain fully taxable.

(The new tax breaks for small businesses will be in our May 2009 *Small Business Alert* newsletter.)

Other Highlights of the New Law

- ◇ Increase in refundable portion of the child tax credit.
- ◇ Tax-free distributions from Sec. 529 plans to buy computers.
- ◇ Increased tax exclusion for employee transportation benefits.
- ◇ Increased tax exclusion for investments in "qualified small business stock."
- ◇ Reduced COBRA payments for employees who lose their jobs.
- ◇ Enhancements to the earned income credit for low-income taxpayers.
- ◇ Modifications in the low-income housing credit.

(Source: The Tax Strategist, March 2009)

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

New Law Illuminates Energy Tax Breaks

The new law contains several tax breaks for energy improvements. Here are three:

1. The new law raises the nonbusiness energy credit for improvements to a residence from 10 to 30% and increases the maximum dollar cap to \$1,500 (eliminating the \$500 lifetime cap).

This covers expenditures for insulation materials; exterior windows (including skylights); exterior doors; central air conditioners; natural gas, propane and oil water heaters or furnaces; hot water boilers; electric heat pump water heaters; certain metal roofs; stoves; and advanced main air circulating fans.

The changes are effective for installations after 2008 and before 2011.

2. The dollar caps on improvements available for the 100% residential energy-efficient credit—such as solar hot water property, geothermal heat pumps and wind energy property—are removed. But a \$500 cap is placed on fuel cell property.

3. The new law extends the credit available to businesses for electricity produced by renewable sources through 2013 (2012 for wind facilities), modifies the energy investment credit to include qualified small wind energy property, and makes other technical changes.

(Source: The Tax Strategist, March 2009)

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Return Service Requested

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