August 2009

Murray Money Moments . . . and More

David C. Murray & Company, Inc.
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Special Interest Articles:

Individual Highlights:

VEHICLE TAX DEDUCTION

Seven Facts about the New Sales Tax Deduction for Vehicle Purchases

Taxpayers who buy a new car or several other types of motor vehicles this year may be entitled to a special tax deduction when they file their 2009 federal tax returns next year. The tax break is part of the American Recovery and Reinvestment Act of 2009.

Here are seven things you should know about this new deduction:

1. State and local sales taxes paid on up to $49,500 of the purchase price of qualifying vehicles are deductible.
2. Qualified motor vehicles generally include new (not used) cars, light trucks, motor homes and motorcycles.
3. Purchases must occur after Feb. 16, 2009, and before Jan. 1, 2010.
4. This deduction can be taken regardless of whether or not you itemize other deductions on your tax return.
5. Taxpayers will claim this deduction when filing their 2009 federal income tax return next year.
6. The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between$125,000 and $135,000 for individual filers and between $250,000 and $260,000 for joint filers.
7. The deduction may not be taken on 2008 tax returns.

Consumers who are considering buying a new car may find that this tax incentive means there may have never been a better time to buy.

For more information about the sales and excise tax deduction for motor vehicle purchases visit the official IRS web sit at IRS.gov.

NOTE FROM DAVE:

I just returned from Texas – part business trip and part vacation. People there are talking like people here: “The tough economy is squeezing us. Runaway federal spending makes higher taxes a safe bet. Even if we think we personally might "win" with new tax breaks, we are confused by changing laws. We're worried and confused!” Are YOU worried and confused? Call us NOW at 335-3652 for a mid-year tax review. Make an investment in cutting out taxes. As always, we guarantee results.

Business After Hours

It was a hot June evening with threats of rain and severe thunderstorms, but that didn't stop the approximately 75 people who stopped by our office to enjoy the delicious food and drink prepared and served by our staff. Lots of conversation resulting in new friendships and relationships was abundant. Congratulations to the door prize winners. A special THANK YOU to the Troy Chamber and to everyone who made our "Business After Hours" a success.

Pineapple Sheet Cake

served at the Business After Hours

2 eggs
1 teaspoon vanilla
2 teaspoons soda
1 cup chopped nuts
2 cups sugar
1 (15 oz) can crushed pineapple, juice and all
2 cups flour

Mix by hand. (I used low speed on my mixer.) Spread in greased and floured cookie sheet. Bake at 350 degrees for 20 to 30 minutes. (I baked for 20 minutes) Check for golden color.

ICING:

8 oz. cream cheese
1 ½ cups powdered sugar
1 stick margarine
1 teaspoon vanilla
½ cup chopped nuts

Mix together all but nuts. Spread on warm cake. Sprinkle with nuts over top (optional). Don't beat, just mix.

Greenville Office

We are pleased and excited about the opening of our new office at 421 Public Square in Greenville, Ohio. We are now able to provide accounting, tax and advisory services to businesses, individuals and non-profit organizations from either location. We also offer complete payroll services including monthly, quarterly, and year end tax payments as well as 1099 and W-2 preparation. Tracy Kutter staffs our Greenville office on Thursday and Fridays. Stop in and say "Hello" or give her a call at (937) 547-0361 with your tax questions.

At David C. Murray & Company, we take a proactive approach to tax services. Our experts stay current on changing tax laws and legislation so you don't have to. We'll identify key tax-planning opportunities that can minimize your current and future tax liabilities and help you put these plans in action throughout the year.

American Opportunity Tax Credit

American Opportunity Tax Credit

Pre-2009 Act tax law provided for two tax credits that may be claimed for post-secondary education expenses: the Hope Scholarship Credit of up to $1,800 per student (for 2009) and the Lifetime Learning Credit of up to $2,000 per taxpayer. The credits phase out for taxpayers with AGI in excess of $50,000 ($100,000 for married couples filing jointly).

The 2009 Act modifies and replaces the Hope credit for tax years beginning in 2009 and 2010 and renames it the American Opportunity Tax Credit. The revised credit equals up to $2,500 per student per year for the cost of qualified tuition and related expenses (including required course materials, such as books). The credit is based on 100% of the first $2,000 of qualifying expenses and 25% of the next $2,000 of qualifying expenses.

The new credit phases out for taxpayers with AGI in excess of $80,000 ($160,000 for joint filers) and is phased out completely for those with AGI of $90,000 or more ($180,000 or more for joint filers). The American Opportunity Tax Credit is available for expenses incurred for up to four years of post-secondary education. (The Hope credit was available for only the first two years of higher education.)

Example: The Nelsons have two children in college, David, a senior, and Ricky, a junior. They pay $10,000 of tuition and related expenses for each son in 2009. The Nelsons' 2009 joint AGI is $130,000. They may claim on their tax return an American Opportunity Tax Credit of $2,500 for each child.

The American Opportunity Tax Credit may be claimed against the alternative minimum tax, within limits. And, in the event the taxpayer does not have a large enough tax liability to apply the full credit, 40% of the credit is refundable if all tax law requirements are met.

"The American Opportunity Tax Credit is available for expenses incurred for up to four years of post-secondary education."

First Time Home Buyers Tax Credit

First-time homebuyers who purchase a home in 2009 can claim the credit on either a 2008 tax return, due April 15, 2009, or a 2009 tax return, due April 15, 2010. The credit may not be claimed before the closing date. But, if the closing occurs after April 15, 2009, a taxpayer can still claim it on a 2008 tax return by requesting an extension of time to file or by filing an amended return. At Murray & Company we will amend your 2008 tax return for $100.00. Call our office (937) 335-3652 or (937) 547-0361 and talk with one of our accountants.

Tax News You Can Use

“. . . big ticket items like affordable healthcare and education . . . ..”

“The Proposals also include a number of tax decreases.”

President Obama’s Tax Proposals

On May 11, the Treasury Department released “General Explanations of the Administration’s Fiscal Year 2010 Revenue Proposals.” These Proposals will undoubtedly change before enactment, but they cannot be ignored, even at this early stage, with a Democratic Congress and President, and some proposals may come up quickly to pay for the anticipated $700 billion healthcare bill this summer.

President Obama has committed to some big-ticket items like affordable healthcare and education and he has also said that he will not raise taxes on individuals and businesses earning under $250,000 a year – approximately 98% of taxpayers. This begs the question of how the revenue would be raised, and we now have some answers. Here’s a quick summary of some of the tax proposals that may affect you or your clients.

Tax Provisions Generally

The Proposals increase taxes on many higher-income individuals, reversing some of the Bush-era tax cuts that were included in EGTRRA, including reinstatement of the 39.6% rate. For joint filers with income over $250,000 and singles with income over $200,000, the 36% rate is reinstated. For these taxpayers, the limits on itemized deductions and the personal exemption phase-out would be reinstated, and a 20% tax rate on dividends and capital gains would apply. Additionally, the Proposals would limit the value of itemized deductions to 28% when they would otherwise reduce taxable income in the 36% and 39.6% brackets, with similar limits applying under the AMT.

The Proposals also include a number of tax decreases. For businesses, the Proposals would eliminate capital gains tax on small business stock, make the R&E tax credit permanent, and expand the NOL carryback. As reported previously, the ARRA provided a 5 year NOL carryback for eligible small businesses that had average gross receipts of $15 million or less, and the Proposals would expand this availability but is not specific as to the threshold, saying that “The Administration looks forward to working with the Congress to make a lengthened NOL carryback period available to more taxpayers.”

Most individual cuts are for lower-income taxpayers, including new or enhanced Making Work Pay Credit, Earned Income Credit (although the Advanced EITC would be eliminated), Child Tax Credit, Saver’s Credit, and American Opportunity Tax Credit. Treasury would also extend the expiring alternative deduction for state and local sales taxes for individuals.

Tax News You Can Use (continued)

Revenue Raisers and “Loophole Closers”

Multinational, Energy Company, and Offshore Haven Provisions The Proposals “reform” the U.S. international tax system and eliminate oil and gas company preferences. In addition, the Proposals seek to address the problem of under-reporting of income through the use of offshore accounts and entities. These have been widely covered in the press, and won’t be detailed here.

Economic Substance

The Administration would codify the “Economic Substance” doctrine, something that the AICPA has opposed because it would reduce flexibility in dealing with specific tax situations and could deter legitimately aggressive tax planning.

LIFO Repeal

If this inventory accounting method is eliminated as we converge on International Financial Reporting Standards, Congress and the Administration won’t get budgetary credit for the revenue it would bring, so this may be a pre-emptive strike. The revenue has decreased from when it was proposed a year ago by Congressman Rangel, with businesses cutting back inventory and problems in some affected businesses, like auto dealerships. However, some businesses, like oil and gas companies, are fighting to retain this inventory method that matches current expenses with current revenue and saves billions of tax dollars.

Lower of Cost or Market

The Proposals would prohibit the use of LCM and subnormal goods methods of accounting for inventories. The retail method would only be allowed if it is in conformity with the taxpayer’s book method of accounting.

Estate and Gift Tax Valuation Discounts

The Proposals would require consistency in valuations for transfer and income taxes. Also, valuation discounts would be curtailed in certain direct or indirect transfers to family members by substituting certain assumptions for restrictions that reduce the value of the transferred interest. Grantor retained annuity trusts (GRATs) would have a minimum ten-year term, increasing the downside risk of this technique of minimizing transfer taxes. These Proposals will curtail many popular techniques used for business continuity and estate-planning.

Punitive Damages

No deduction would be allowed for punitive damages whether adjudicated or settled, and insurance reimbursements would be required to be included in the income of the insured.

Administrative Provisions

The Proposals place new administrative requirements on businesses and tax return preparers in an effort to improve compliance.

Mandatory E-Filing for Corps and Partnerships

All corporations and partnerships required to file a Schedule M-3 would be required to file electronically. In addition, some other large corporations, such as tax exempt orgs, would generally be required to e-file. Penalties for failing to e-file would be increased.

Information Reporting for Payments to Businesses

Businesses would be required to report information on aggregate payments of $600 or more to corporations for services or gains. Previously, payments to corporations were excepted from the reporting requirement.

TINs or Withholding for Independent Contractors

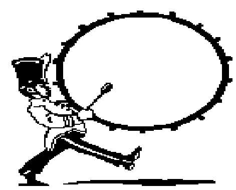
Contractors receiving payments of $600 or more would be required to provide a TIN, and if this is not provided the business employing the contractor would be required to withhold tax at a flat rate selected by the contractor.

OIC Rules Changed

Taxpayers would no longer be required to include a nonrefundable payment in order to apply for an offer in compromise.

Our People News

CONGRATULATIONS to Chad and Rachel Dye on the birth of their first child. Eve Olivia Dye was born on Monday, June 1st. This bundle of joy weighed 6 lbs 9 oz. and was 19 inches long. Chad is taking his new role as "Daddy" in stride and is becoming quite familiar with changing diapers and those late night feedings.



BACK TO SCHOOL Holly Thompson will be heading back to Brigham Young University for her second year after spending a short but enjoyable summer with family and friends. GOOD LUCK HOLLY.

Jennifer spent her summer between clients and swimming lessons. Her oldest daughter, Ellie, was on the Dolphin Swim Team – CONGRATULATIONS to our little swimmer.

Jackie will be getting ready for football season with two of her young men either playing football or marching with the band. GO TROJANS

Are you taking advantage of every tax break you deserve? ARE YOU SURE?

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