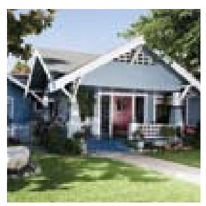
TAX SAVING
TIPS for 2009



Advice from CPAs

TAX PLANNING FOR 2009

Your best strategy for minimizing tax liability and bolstering your financial position is to stay current on tax law. However, in a time of sweeping change, new legislation and regulations, continuing economic uncertainties, doing so can be a challenge.

In 2009, tax law changes ranged from tax credits for employees and undergraduate students to tax breaks for first-time homebuyers and unemployment assistance for workers involuntarily terminated. Yet, what remains constant is the need for in-depth knowledge when preparing your taxes.

Tax Saving Tips for 2009 provides an overview of key tax law changes that may affect your return and the latest information and practical strategies for minimizing your tax bill.

Should you have any questions or concerns, a CPA tax professional can review your overall financial picture to help you identify winning tax strategies.

Filing Basics

Filing Status

Taxpayers can file as single, married filing jointly, married filing separately, head of household or qualifying widow(er). If you are married and filing jointly, you can take advantage of tax credits and benefits not available to couples filing separately. Unmarried taxpayers may file as single or, if they qualify, as head of household. If more than one filing status applies to you, you may want to choose the one that results in the lowest tax obligation.

Exemptions

You may claim a personal exemption for yourself, your spouse and each of your dependents. A dependent child includes children born to your family, stepchildren, foster children and adopted children. Each exemption reduces taxable income by $3,650 in 2009. However, the exemption benefit is lost if your adjusted gross income (AGI) is above the amounts indicated below:

2009 EXEMPTION PHASE OUT BEGINS AT:

- Single – $166,800 up to $289,300
- Married filing jointly/Qualifying widow(er) – $250,200 up to $372,700
- Married filing separately – $125,100 up to $186,350
- Head of household – $208,500 up to $331,000

For 2009, even with an AGI in excess of the phase-out maximum, you still may take a $2,433 personal exemption. The personal exemption reduction is being phased out and will be fully repealed by 2010.

Deductions

The basic standard deduction for 2009 is $5,700 if single or married filing separately, $11,400 for married filing jointly or qualifying widow(er) and $8,350 for head of household. Taxpayers age 65 and older and/or blind receive an additional standard deduction of $1,100, and $1,400 if the individual is also unmarried and does not have a surviving spouse.

In addition to above-the-line deductions, you can claim the standard deduction or choose to itemize your deductions. Itemized deductions include specific state and local taxes, mortgage interest, and charitable contributions.

Even if you do not itemize, some deductions are still available, including traditional IRA, SEP and qualified plan contributions and contributions to Health Savings Accounts. In general, you should itemize if your total allowable itemized deductions are more than the standard deduction, although there are exceptions.

Keep in mind that the value of some of your itemized deductions will be reduced if your AGI is above $166,800 ($83,400 if married filing separately). This reduction will be eliminated in 2010.

Tax Breaks for Homeowners

First-Time Homebuyer Credit

The First-Time Homebuyer Credit increased to $8,000 in 2009 and is generally available for purchases made between January 1, 2009, and May 1, 2010, provided the home is occupied as the buyer's principal residence within 24 months of the purchase. (Note: A first-time homebuyer is defined as someone who has not owned a principal residence in the three years before the purchase.) For purchases made after November 6, 2009, no credit is allowed if the purchase price exceeds $800,000.

The credit only needs to be repaid if the home is sold within 36 months of the purchase date.

For purchases made on or before November 6, 2009, the credit phases out for taxpayers with modified AGIs in excess of $75,000 ($150,000 for joint returns). The credit is refundable and recaptured if the home is sold within 36 months of the purchase date.

For purchases made after November 6, 2009, the phase out starts at modified AGI of $225,000 for married taxpayers and $125,000 for all other taxpayers. The credit is completely phased out at modified AGI of $245,000 for married taxpayers and $145,000 for all other taxpayers.

Interest and Property Taxes

Home mortgage interest on up to $1 million ($500,000 if married filing separately) of home acquisition loans secured by your principal residence and/or second home is fully deductible. You also may deduct mortgage interest on a home equity loan or line of credit up to $100,000 ($50,000 if married filing separately). Therefore, you can deduct interest on total home debt up to $1.1 million ($550,000 if married filing separately).

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Mortgage Debt Forgiveness
If you still have mortgage liability after foreclosure, any amount forgiven by the lender is generally ordinary income. However, for debt discharged on or after January 1, 2007, and before January 1, 2013, the debt forgiveness is treated as tax free if the property is your primary residence. The limit on qualifying debt is $2 million ($1 million for a married person filing separately).

Tax Exclusion of the Sale of a Principal Residence
When you sell your principal residence, you can exclude from income up to $250,000 in gains ($500,000 if married and filing jointly or a surviving spouse if the sale is within two years of the other spouse's death). To qualify, you must have owned and used your home as a principal residence for at least two years during the five-year period ending on the date of sale.

Retirement Strategies

Retirement Savings Tax Breaks
Tax-advantaged retirement plans can help you lower your current tax bill and achieve a secure retirement. Recent legislation makes permanent higher IRA and 401(k) contribution limits.

Individual Retirement Account (IRA)
You may contribute up to $5,000 to fund a traditional or Roth IRA in 2009. Individuals age 50 or older by the end of 2009 can make an additional catch-up contribution of $1,000. If your spouse does not work for compensation, you can contribute to either a traditional IRA or Roth IRA for your spouse based on your own earnings, with the same dollar limits applying. However, the maximum aggregate that can be contributed to a Roth IRA is reduced by contributions made to other IRAs.

Traditional IRA contributions may be deductible depending on your modified AGI and whether you or your spouse (if filing jointly) is covered by an employer-sponsored retirement plan. Roth IRA contributions are not deductible, but the earnings accumulate tax deferred and may be withdrawn tax free if you meet the qualified distribution requirements.

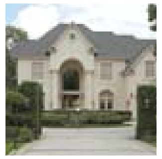
For 2009, eligibility to contribute to a Roth IRA is phased out as modified AGI rises from $105,000 to $120,000 if single, head of household or married filing separately and not living with spouse at any time in 2009; and $166,000 to $176,000 if married filing jointly or qualifying widow(er). Married taxpayers who file separately and lived with a spouse at any time in 2009 cannot contribute to a Roth IRA if their income is $10,000 or more.

Employer-Sponsored 401(k)
Pre-tax contributions to employer-sponsored retirement plans reduce your taxable wages. Matching contributions and income earned within your plan also are tax deferred. The employee contribution limit for 2009 is $16,500. Employees age 50 or older by the end of 2009 may make an additional catch-up contribution of $5,500 for 2009. Also, there is no minimum distribution required in 2009 from your 401(k).

Child and Education-Related Tax Credits

Child Tax Credit
For 2009, the Child Tax Credit is worth $1,000 for each qualifying child who is under age 17 at the end of the calendar year and who qualifies as a dependent. The Child Tax Credit is in addition to the child's dependency exemption. The credit begins to phase out when modified AGI exceeds $110,000 for married couples filing jointly; $55,000 for married taxpayers filing separately; and $75,000 for single filers, heads of households and qualified widow(er)s.

Dependent Care Credit
Parents who must pay for the care of a dependent under age 13, who they also claim as a dependent, while they work or look for work may be eligible for a tax credit of between 20% and 35% of qualifying expenses (up to $2,100). You must have earned income to receive the credit.



For 2009, the maximum amount of expenses on which the credit can be claimed is $3,000 for the care of one dependent or $6,000 for two or more. This credit is not restricted to child-related care costs. If you pay someone to look after an incapacitated dependent of any age, such as a parent or disabled family member, you may be eligible for this tax break.

The American Opportunity Tax Credit
This credit replaces the Hope Scholarship Credit. It is available for the first four years of college or other post-secondary school that leads to a degree (the Hope credit was only for the first two years of undergraduate school). The maximum credit is $2,500 per student for each year and 40% of the credit is refundable – that is, it can reduce the taxpayer's liability below zero. It phases out at modified AGI levels between $160,000 and $180,000 (married filing jointly), and $80,000 and $90,000 (other filers). This credit is allowed against the Alternative Minimum Tax (discussed later).

Tax Considerations for Investors

Long-Term Capital Gains and Dividends
The maximum tax rate on net long-term capital gains remains at 15% for 2009. For taxpayers in the 10% or 15% tax brackets, the tax rate on long-term capital gains is zero. Capital gains on investments held for one year or less are taxed at regular income tax rates.

Qualified dividend income from a domestic or qualified foreign company is taxed at a top rate of 15% (zero for taxpayers in the 10% or 15% tax brackets in 2009).

Offset Capital Gains with Losses
Net capital losses are fully deductible against capital gains. If your capital losses exceed your capital gains, you can deduct up to $3,000 in net capital losses against ordinary income ($1,500 if married filing separately) or your total net loss as shown in 1040 Schedule D, *Capital Gains and Losses*, whichever is less. Any remaining capital losses may be carried over to future years.

Other Recent Tax Law Changes

The Making Work Pay Credit
The Making Work Pay Credit provides employees, including the self employed, with up to a $400 tax credit ($800 for married people filing jointly). The credit is 6.2% of earned income and phases out at modified AGI of $75,000 to $95,000 for singles or $150,000 to $190,000 for married people filing jointly. In 2009, taxpayers will receive the credit through a reduction in employee withholding and self-employed required estimated tax payments.

Economic Recovery Payments
People receiving social security, SSI, railroad retirement and veteran's disability compensation benefits also receive a one-time $250 payment, offset by any Making Work Pay Credit.

COBRA Premium Assistance
The federal government is subsidizing 65% of COBRA premiums for employees who are involuntarily terminated between September 1, 2008, and February 28, 2010. The premium subsidy is in effect for any premium for a period of coverage beginning on or after February 17, 2009, for 15 months.

The tax-free element of this subsidy is reduced for singles with modified AGI between $125,000 and $145,000, and joint filers with modified AGI between $250,000 and $290,000. For singles with modified AGI above $145,000 and joint filers with modified AGI above $290,000, the subsidy is treated as gross income. If you are laid off, your employer should notify you about this rule.

Unemployment Compensation
Usually, state unemployment benefits paid to laid-off employees are taxed in full. However, in 2009, the first $2,400 of unemployment compensation you received is excluded from your gross income and not subject to tax.

Alternative Minimum Tax (AMT) Patch
Among the provisions included in the Emergency Economic Stabilization Act of 2008 is the AMT patch, which protects most middle-income taxpayers by increasing the AMT exemption amounts. The 2009 exempt amounts are: $46,700 for single filers and heads of household, $70,950 for married taxpayers filing jointly or qualifying widow(er)s and $35,475 for married taxpayers filing separately.

Health Coverage Tax Credit
As of May 1, 2009, the Health Coverage Tax Credit increased from 65% to 80% of the person's premiums for the qualified health insurance of specific family members. This credit expires in 2011.

Obtain Professional Advice

A CPA tax professional understands the business of taxes and finances and can provide trusted advice and services during the tax season and throughout the year.

COMMON DEDUCTIONS

Above the Line Deductions

- Teacher classroom expenses
- Student loan interest
- Alimony expenses
- One-half of self-employment tax
- IRA contributions and one-half of contributions to SEP, SIMPLE and qualified plans
- Health savings account contributions
- Moving expenses
- Penalties on early withdrawals from savings accounts
- Tuition and fees deductions

Itemized Deductions

- Mortgage interest including interest on equity loans up to $100,000
- Points paid for mortgage or refinancing
- State and local income taxes and personal property taxes
- Sales taxes in states with no income tax
- Health insurance costs and medical expenses in excess of 7.5% of adjusted gross income (AGI)
  - > Prescription eyeglasses, contacts and hearing aids[§]
  - > Crutches, canes and orthopedic shoes[§]
  - > Medical transportation [§]
  - > Cost of alcohol or drug abuse treatment[§]
- Charitable contributions – cash, property, donated clothing or household items and appreciated long-term assets
- Mileage and expenses associated with volunteer work
- Unreimbursed casualty and theft losses
- Income-tax preparation software and fees*
- Job-search expenses*
- Investment expenses*
- Unreimbursed employee business expenses*
- Professional investment advisory fees*

§ Deductible to the extent the total of all medical and dental expenses exceeds 7.5% of AGI

* Deductible as miscellaneous itemized deductions to the extent the total exceeds 2% of AGI

Information is current as of January 1, 2010