

The Rudolph Report

www.rudolphcpa.com

Year End 2009

To all our clients:

We've moved to Libertyville! Our firm purchased a (nearly) brand new office condominium. We're now located on the north side of Winchester Road just east of Route 45 and the soccer complex. The unit features five offices and a spacious floor plan. In fact, the only thing missing is wood paneling to give it that northwoods, 'there's probably a moose just outside this wall' feel. As my mother-in-law says, "Wow, Chris! It's almost like a real business now."

This newsletter will serve as our final letter for the 2009 year. You will receive a tax organizer from us in late January. Before diving into the tax topics, there are a few points that I'd like to make:

- All of our accountants will be returning. Wayne, Marjorie, Charlie, and I have our calculators ready for you (Charlie recently switched from his abacus).
- For those of you who live outside the area, technology offers you many options to deliver us the information without a lengthy car trip. We are doing more tax returns via fax, scan and email each year.
- We are still welcoming new clients. If your Uncle Elmo in Sheboygan has a scanner in the barn, send him over por favor.

If you have any questions or if you need year-end tax planning, please contact us. Otherwise, let's hope Santa Claus accepts returns a la Milton Bradley & Soriano.

Chris Rudolph CPA

AUDITS UP

Congress needs revenue so they've released the hounds--audits are up. In fact, small business audits are up 41% in the past few years. Our office has noticed the spike in audits. Although we've been extremely successful in representing our clients, we'd prefer that you don't get invited to that party. So, we encourage your deductions to be ordinary, reasonable, and documented.

2009 TAX CODE CHANGES

The \$8,000 first time homebuyer credit has been extended to April 30, 2010. The income limits for this credit have increased to \$125,000 for single taxpayers and \$225,000 for married taxpayers for homes purchased after November 6, 2009.

Furthermore, a **new credit of \$6,500** now exists for current homeowners who move and purchase a home. To qualify for this credit, taxpayers must be selling a home that they have used and owned for five of the last eight years. The duration of this credit also extends from November 6, 2009 until April 30, 2010, and the purchaser will have until July 1, 2010 to close on the home.

The IRS has clarified the **energy credits** over the past few months. Homeowners can receive a 30% credit up to \$1,500 for the purchase and installation of high efficiency heating and air conditioning systems, water heaters, windows, skylights, exterior doors, and qualifying insulation. The \$1,500 credit is for the combined years of 2009 and 2010. Unlike previous years, there is no maximum amount of credit per category (such as

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windows); thus your credit will be 30% of the aggregate amount of all qualifying expenditure. Please note that the \$1,500 is a non-refundable credit not a deduction, so it comes off the bottom line to reduce your tax liability.

For those, **investing in green energy**... homeowners can also receive a 30% credit, on expenditures towards solar electric systems, solar water heaters, and geothermal heat pumps. You will need to check the manufacturer's tax credit certification before purchasing the item. There is not a limitation or maximum amount of credit for these expenditures.

A **sales tax deduction** now exists for those who purchased a new car in 2009 after February 15, 2009. You do not have to itemize to get the deduction, but the deduction will phase out for single people making more than \$125,000 and couples making more than \$250,000.

The new American Opportunity Credit **modifies the existing education** Hope credit for 2009 and 2010. Some highlights include the inclusion of books and materials (but not Ipods), the expansion of the credit to \$2,500, and the expansion of income limitation to \$80,000 for non married taxpayers and \$160,000 for married taxpayers. This credit is not limited to the first two years of college. Furthermore, the credit increases to \$3,600 for those attending college in the Midwestern disaster area which included schools such as CLC, UW Madison, and IU.

The first \$2,400 of **unemployment**

compensation will be excluded from federal income tax.

Mileage rates are now 55¢ per mile for business, 14¢ per mile for charity, and 24¢ per mile for medical travel.

AGI limits for **Roth IRA's** have increased to where the phase out period begins at \$105,000 for individuals and \$166,000 for couples. Also, limits have been increased for those who contribute to a **deductible traditional** IRA even if you participate in an employer's plan. Phase out limits begin at \$55,000 for single taxpayers and \$89,000 for married taxpayers.

YEAR END TAX TIPS

- Save all of your receipts from holiday donations.
- If you do a one-time church contribution, write a check to substantiate it. Otherwise, good luck in convincing the IRS on how you toss out a Ben Franklin every time the basket gets passed around which includes 52 weeks of continuous attendance plus days of holy obligation.
- Consider converting part of your traditional IRA to a Roth IRA if you find yourself in a lower tax bracket this year (let's talk first, however).
- Pay outstanding tuition and medical bills by year end if those expenses are better utilized in this current year.
- If you are planning on making a gift to children, sneak it in before the year end to maximize your annual \$13,000 gift exclusion.
- Consider selling securities that have unrealized gains if you are carrying significant carryover losses.

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