



Happy Holidays! 2009 Tax Season Newsletter

Lots of Changes

Hold on tight, tax season is coming. I am busy writing this on Thanksgiving Day. I sit here pondering how wonderful and fulfilling my life has been. Thank you all for being part of it. I look forward to seeing each of you in the coming New Year. I hope to get this out to you soon because I know there are a lot of uncertainties and questions regarding your taxes this year. I've already had an unprecedented amount of phone calls regarding your individual tax situations. Thanks for keeping me in the loop. It doesn't seem like it could have been 10 years ago when we brought in our new century – 2000. I remember all of the uncertainty that surrounded that as well. Strange how time passes so quickly. Bottom line is Enjoy It – find greatness in every moment. We try to.

It's been quite a year. Congress has been busy passing new legislation that will affect every taxpayer in the US. There are so many changes that I simply cannot mention everything in my short recap of the year. Please note that most of the changes are favorable for most taxpayers. Of course, someone has to pay for all of these changes so things may get ugly in the future.

I continue to attend lots of classes to keep me on top of the latest changes in tax law. I need to keep informed to do my best job for you.

You can expect to receive your organizer and scheduled appointment in the mail from me by the second week of January. If the time assigned does not work for you please call the office and we'd be happy to schedule a more convenient time. If you would rather have your organizer sent to you via email or to your new secure client portal, please call the office or drop me an email and we'd be happy to oblige.

Thank you again for your continued business. I simply cannot express how thankful I am to have such loyal clients who have the confidence in me to continue to refer family and friends. Thank you.

Quick Notes

- Your first \$2,400 in Unemployment Compensation will not be taxable for federal taxation purposes in 2010.

- Remember to bring in receipts for energy efficiency improvements made in 2009. I need to see them this year.
- If you have out of pocket expenses related to your job I need to see mileage logs and receipts to substantiate your deductions. The IRS and DOR are aggressively auditing returns and we want to have complete reliable records.

Re-Designed Website

We've expanded our website substantially in the past month. One of the most exciting changes is that we now have a secure client portal available to you. It can be a useful tool that will assist in delivering secure documents directly to your very own online storage area. The possibilities are endless.

You can even use it as an offsite backup for your personal files. While you are there, sign up for the new monthly newsletter. It will be automagically emailed to you each month.



Taxable Events

If you have had a tax event in 2009 without the normal withholding, we may want to calculate and pay your federal and/or state tax liability by December 31st. Because you are able to use these payments as itemized deductions on your tax return, you may save a substantial amount of tax. Please call so we can schedule an appointment before the end of the year.

First Time Homebuyers Credits

\$8,000 TAX CREDIT EXTENDED: The first time home buyers tax credit that was due to expire on November 30, 2009 was extended until April 30, 2010. Yeah! The deal needs to close by June 30, 2010 in order to receive the tax credit. The rules are quite complicated so if you have specific questions ask me about it. I encourage anyone who qualifies to make the first step and consider purchasing a home. What a great opportunity.

NEW \$6,500 FOR LONG TIME HOMEOWNERS CREDIT: Congress addressed long time homeowners with the passage of the new \$6,500 tax credit available to taxpayers who have owned their principle residence for at least 5 of the last 8 years and purchase a new principle residence between November 7, 2009 and April 30, 2010. This could be a great

deal for those of you who are thinking of trading up or even downsizing. Again, let me know if you have questions.

NO RELIEF YET FOR \$7,500 TAX CREDIT

RECIPIENTS: Sadly, there has not been any action from congress in regards to the original tax credit enacted for purchases in 2008. Those credit recipients are still expected to "re-pay" the credit beginning in 2011 with the filing of their 2010 tax return. I am still hopeful that this issue will be addressed sometime in the next year.

Montana Issues

MONTANA MEDICAL SAVINGS ACCOUNT is available to Montana residents. A taxpayer and spouse are each allowed a maximum deduction of \$3,000 annually. To claim as a deduction in 2009, it must be deposited by December 31st. **NOTE: THESE ARE NOT THE SAME AS FEDERALLY RECOGNIZED HEALTH SAVINGS ACCOUNTS.**



*Example: Start by totaling all medical expenses you have paid in 2009. You may go to a bank of your choice and set up an individual account and deposit the amount of your actual medical expenses for the year up to a maximum of \$6,000 if you're married -- \$3,000 if you're single. You may also include in this amount any future medical expenses you expect to incur. You may withdraw, or reimburse, yourself the amount that you actually spent throughout 2009 within a few days of the initial deposit. Remember, you must have actual medical expenses for the amount of the withdrawal or you may be subject to a recapture tax. This creates a MT state deduction for income tax purposes. The amount is still deductible on the Federal Return. Because of our tax structure in Montana, it is important to remember that married couples set up an account for the spouse with the highest income first. Keep the account open from year to year so that you may create this deduction with ease in the future. **Bonus: The interest earned on the account is not subject to MT state income tax.***

FAMILY EDUCATION SAVINGS ACCOUNT allows us to open an account for the purpose of paying future educational expenses for a child, and /or grandchild at an institution of higher education. Montana's plan is part of the Education Savings Program 529. You may contribute up to \$3,000 per year per taxpayer. Once again, it reduces your taxable income dollar for dollar. For more information call 800-888-2723 or visit their web site at <http://montana.collegesavings.com>. It is a great, easy to use, site and can answer many questions. This can be a great estate-planning tool. You must leave the money in the account for three years or it may be subject to recapture tax. There is a link from my website as well. Check it out for up to date planning ideas.

FIRST TIME HOME BUYERS SAVINGS ACCOUNT is another helpful tool If you are planning on buying your first home within the next 10 years. Here

again, you may set aside up to \$3,000 per taxpayer into a savings account that is designated as such and deduct it dollar for dollar off your Montana taxable income. As long as you use the funds for a down payment or closing costs it is all tax-free to Montana.

MOTOR VEHICLE TAXES: Be sure and bring in your registration slips when you come in for your tax appointment. The new laws have changed the amounts we are able to deduct.

Compensation

If you are a shareholder or officer of a closely held corporation you must receive "reasonable compensation" for your services. If you have recently formed a new business entity and have questions regarding this issue please call the office so we can have a conversation of what is required of you by year end.

IRA's and Retirement News

Remember you have until April 15th to fund your IRA accounts. A Roth IRA is non-deductible but the earnings will never be taxable as long as we have met the five-year rule and are 59½. A regular IRA is tax deductible both federal and state and, therefore, when withdrawn will be fully taxable.

Check out your employer sponsored plans. Now might be a good time to reevaluate your contribution into the employer sponsored plan. Can you increase your retirement savings by 2%? 5%? Some plans only allow you to change your contribution rate a few times a year. Consider it. Pay yourself first. Most plans have an employer matching program. You also may have the ability to elect a ROTH 401(k) deduction. You may even qualify for a federal tax credit for your contribution into a qualified retirement plan – up to 50% - WOW.

Employer Benefits

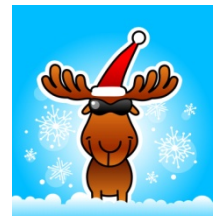
Many of you are making payroll elections for 2010. Now is a good time to consider your expected out of pocket medical expenses and anticipated child care expenses in 2010. If your employer offers flexible spending accounts (FLEX Plan) you may want to elect for some amount be withdrawn tax free from your pay check to cover these expenses. Not only do you save federal and state taxes on this money but FICA and Medicare as well. It is a great tax savings program. Remember to be conservative, however, because most of these programs are "use it or lose it".

Wrapping it up

We offer a variety of choices for your copy of your tax return and documentation. Consider a digital version instead of a paper copy. They are always secured with a password and are easily distributed to whomever you wish to receive a copy.

I want to extend my wishes for a healthy and happy new year to you and yours. I look forward to seeing you.

Colleen & the Super Girls



Have a Cool Yule!