

Tax & Financial Guide

Business and Personal ACCOUNTING, TAX,
SOFTWARE & FINANCIAL PLANNING SERVICES

Homebuyer Credit Changes

Fourth quarter federal and state tax estimates are due January 15, 2010. It may be beneficial to pay your state estimates by December 31, 2009. Please contact us with your income and expenses by December 28 for us to determine how much and when you should pay.

Please call our office to discuss any of the items in this newsletter that may pertain to you.



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The home must still be the buyer's principal residence. Some changes were made to make the credits more available while others should reduce the filing of fraudulent claims. Some of the new details include:

1 Unmarried co-purchasers can apportion the credit any way they want. This is handy when one purchaser isn't eligible for the credit and the other can take the entire amount.

2 The first time homebuyers' credit is extended to purchases through 4/30/10 or purchasers with signed contracts on 4/30/10 that close by 6/30/10.

3 The credit income limit has been increased to \$145,000 for singles and \$245,000 for married filing joint. The credit starts

phasing out at \$125,000 for singles and \$225,000 for married filing joint.

4 Current homeowners can now get a credit up to \$6,500 if they've owned a home for five consecutive years out of the last eight years and purchase a home between November 7, 2009 and April 30, 2010.

5 Buyers can claim 2009 purchases on amended 2008 returns or the 2009 return. Buyers in 2010 can claim the credit on their 2009 return.

6 Homes costing over \$800,000 don't qualify for credits if they were purchased after 11/6/09.

7 No credit is allowed if you buy a home from your in-laws after 11/6/09.

8 Dependents or anyone under age 18 cannot claim the credit.

9 Filers must attach a signed copy of the settlement statement to their tax returns or claims for refund.

10 Members of the military serving outside the United States for at least 90 days can take advantage of the credit until June 30, 2011.

11 Divorcees may qualify for the new \$6,500 credit if they bought a home before May 1, 2010 and maintained the same home for five consecutive years within the last eight years. If the divorce court ordered you out of the marital home prior to the divorce's final date, that time still counts toward the necessary five years.

Gift Deductions

Trying to reduce your estate? Gift \$13,000 to qualified individuals. That is an annual amount. Married spouses can each donate \$13,000 to the same recipient. If the recipient is married, each donor can also donate \$13,000 to each donee. They can donate larger gifts because there is also a \$1 million lifetime exemption.

Unlimited tuition can be paid directly to schools and is not included in the year or annual limitations. The same goes for medical expenses that donors pay on behalf of donees. Donees must deposit all checks in 2009, or you can give the recipient a

certified check, in order for you to claim a 2009 gift.

Did your child or grandchild work this year? You can deposit up to \$5,000 or the amount earned, whichever is less, into a Roth IRA for them. This counts toward the annual gift tax exclusion, is a great way to reduce your estate, and helps them accumulate a nice nest egg.

Wisconsin does not allow tax-free direct transfers from IRAs to charitable organizations, though this usually will not create extra state tax. But if you plan such a transfer, please contact us to make sure it will not adversely affect your tax situation.

IRA Mess

For IRA owners who have been waiting until 2010 to move funds from their IRA to a Roth IRA, there is a really ugly situation for taxpayers in Wisconsin. As of now, Wisconsin has not adopted the IRS guidelines. So you will pay taxes and penalties to Wisconsin if you move the funds and Wisconsin doesn't adopt the IRS changes.

This will not be the quick decision we anticipated because we may need to calculate the amount of taxes and penalties to be paid to the state in order to save money on the IRA change.

Murphy Financial Services, Inc. web site is at www.murphyEA.com

If you misplace your newsletters, or your information sheets that I have given you (i.e. contributions, enrolled agents, etc.), you will be able to find them on the web site.

Please note that our e-mail address is: info@murphyea.com.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information only to IRS or state authorities and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

New Office Location. Duplex and Equipment For Sale.

Our office has moved to: 7118 W. Center St. We will not be at the Bluemound Rd. address this year. In fact, our duplex on

Bluemound Rd. is for sale. If you know anyone interested in purchasing a 3 bedroom, 1 1/2 bath duplex, please have them contact me. We

also have office supplies and equipment for sale if you know a person or business in need of office items. We have the best prices in town.

Other Tax Considerations

Rental Property If you own a rental property, to deduct expenses for supplies or services you must issue a 1099 by January 31, 2010 to any person or business you paid \$600 or more to during the year.

You also must keep a log detailing date, service performed and time spent for each service to justify whether it is a passive or active activity.

This covers any time related to the rental property whether fixing or repairing, collecting rents, showing and advertising rentals, paying bills, etc.

Bond Rates Are you unsure whether your savings bonds are still earning interest? Go to www.treasurydirect.gov/BC/SBCPrice to see what the bonds are worth. Just enter the bond number and the issue date. It will show the value today as

well as the next time interest will accrue.

Some people hold onto savings bonds no longer accruing interest. This money could be invested somewhere else and begin earning interest.

Mileage rates for 2010 are again changing, mostly due to



lower gas prices. Charitable mileage is now 14 cents per mile, medical and moving mileage is 16.5 cents per mile, and business mileage is reduced to 50 cents

per mile.

Tax Withholding Federal withholding tables for 2010 will still reflect stimulus credit reduced withholding. If you didn't adjust your 2009 withholding and find you owe money for 2009, adjust your withholding for 2010 so you don't end up owing money again on your 2010 tax return. This pertains to wages as well as pensions. For those of you seniors who received the \$250 credit, if it caused a 2009 tax liability you may need to adjust your withholding or estimates.

Unemployment has been extended for 14 weeks. Plus unemployed workers in 27 states with unemployment rates of 8.5% or higher are eligible for an additional six weeks after the 14 weeks.



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