

# THE LEDGER

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## GO GREEN TO HELP THE ENVIRONMENT AND REDUCE YOUR TAX BILL

Wouldn't you like to live more green and help the environment, especially if it meant a little extra green in your wallet? With today's array of energy-saving tax credits, you can do both! Jump on the eco-bandwagon by checking out the latest tax breaks.

- The most popular energy tax credits are found in familiar home-improvement projects. Installing highly insulated windows and skylights can result in a tax credit equal to 10% of the outlay (not including installation costs), up to a total credit of \$200. Exterior doors, roofing, and insulation that adhere to energy-saving standards offer a \$500 maximum lifetime credit.
- Tax credits are available for installing alternative energy equipment in your primary residence. This includes qualified solar electric property, solar water heating property, fuel cell property, small wind energy property, and geothermal heat pump property. If you're planning to make your home more energy efficient, it pays to research the tax perks that might come with it.
- Something new in 2009 is a tax credit of \$2,500 to \$7,500 for the purchase of a plug-in hybrid electric car or truck. The amount of the credit is based on the capacity of the battery

system. Hybrid electric cars not using plug-in technology also qualify for tax credits, but on a more limited basis.

- Commuters will want to take note of a new tax-free fringe benefit for

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## WHAT'S NEW FOR 2009

Each year the IRS makes inflation adjustments to certain tax numbers. Here are a few tax changes that could affect you this year.

- The maximum earnings subject to social security tax increases to \$106,800 for 2009. The social security earnings limit for retirees under full retirement age increases to \$14,160.
- The top estate tax rate remains at 45%, but the exemption amount increases to \$3.5 million for 2009. The annual gift tax exclusion increases to \$13,000 per donee.
- The kiddie tax threshold increases to \$1,900 and applies until your child reaches age 19 (age 24 for full-time students).
- The nanny tax threshold increases to \$1,700 for 2009. If you pay household workers more than this amount during the year, you're responsible for payroll taxes.
- The standard mileage rate for business driving in 2009 is 55¢ per mile, and the mileage rate for medical and moving expenses is 24¢ a mile. The general rate for charitable driving remains at 14¢ a mile.
- The maximum contribution for an IRA remains at \$5,000 for those under age 50, and at \$6,000 for those 50 and older. The SIMPLE plan limit increases to \$11,500 for individuals under age 50, and to \$14,000 for those 50 and older. The 401(k) limit increases to \$16,500; those 50 and older can contribute up to \$22,000.

For details on these and other 2009 changes, give us a call at 630-953-4900.



CRAY, KAISER LTD.

*Certified Public Accountants and Consultants to Business*

## SIX THINGS EVERY BUSINESS SHOULD EXAMINE THIS YEAR

As an owner or manager of a business, you're probably busy monitoring operations and dealing with everyday problems. But you should make time every year to do things that are important for your longer-term business and personal success.

**1 Review your business insurance coverage.** Don't just automatically write a check to renew your insurance policies when they come due. Instead, sit down with your insurance agent and review your business operations, focusing on any changes. Use your agent's expertise to identify risk areas and suggest suitable coverage.

**2 Review your business tax strategy.** A month or so after you've filed your tax return, make an appointment with your tax advisor. Go over your return together and identify opportunities for tax savings. Question everything, starting with whether you're using the right form of business entity. Ask about recent changes in the tax code and how they might benefit your business. Make your advisor a "partner" in your business strategy.

**3 Review your business banking relationships.** Go over your cash balances and banking relationships with your controller or CFO. Then

both of you should meet with your banker. Address any problems, and ask about new products or services that could help your company.

**4 Check the effectiveness of your marketing.** Are your current methods and channels working well, or are you simply doing what you've always done?

**5 Get a pulse on your customers.** An annual customer satisfaction survey is a great way to assess performance, obtain insight on potential new products or services, and let your customers know how much you value their business.

**6 Update succession planning for your business.** Review your succession planning annually. You should have a specific plan for each key manager position, including yourself. Be prepared for a short-term absence or a permanent vacancy. Your plan might mean promoting from within or recruiting externally. An up-to-date plan can be invaluable if you have an unexpected vacancy.

We can assist you with your annual review and the planning necessary for your business's long-term success. Give our office a call.

## GOING GREEN TO REDUCE YOUR TAX BILL

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riding their bikes to work. Employers are now allowed to reimburse bicycle commuters up to \$20 for each month they regularly ride their bike to work. The

benefit covers the cost of purchasing, storing, and maintaining a bicycle.

- Businesses can profit by going green as well. New home builders who construct qualifying energy-efficient homes can receive a tax credit of up to \$2,000 per dwelling unit. And commercial building owners may be eligible to write off as much as \$1.80 per square foot when they upgrade heating and air systems that meet certain energy standards.

Going green, and pocketing a

little green from tax savings, go hand-in-hand. To get the details you need to make the

most of the available tax breaks, call our office at 630-953-4900.

## EXPECT MANY TAX CHANGES IN 2009

Laws passed in 2008 made hundreds of changes to the tax code, and there will be more tax legislation in 2009. Much of what changes and when will depend on how the country's economic situation plays out.

Areas to watch for change:

- Longer carryback period permitted for business losses.
- Tax credit for companies that hire new workers or forgo layoffs.
- Extension of bonus depreciation and higher expensing limit for business equipment purchases.
- Tax cuts or credits for individuals and families.
- Estate tax legislation to retain the tax beyond 2009.
- Retirement plan withdrawals.

Before making financial decisions this year, contact us for the latest in the ever-changing tax rules.



## MAKE SMART DECISIONS IN TOUGH FINANCIAL TIMES

With the economic situation as uncertain as it is today, you may be asking yourself what you should be doing with your investments, your retirement contributions, and your financial plans.

While you can't fix the world economy, you can take some steps that make tax and financial sense in your own situation. Here are some suggestions for you to consider.

■ **Get a grip on your debt.** Paying off debt is advisable regardless of what happens in the general economy. Take a look at your current debt, especially your credit card debt. Consider transferring balances from high-interest cards to lower-interest cards, and stop adding to your credit card debt.

■ **Live within your means.** Only buy what you need, and whenever possible, save up to pay for costly necessities rather than charging them.

■ **Rid yourself of "stuff" you don't use.** Are you paying for a cell phone you rarely use? A magazine you never read? A mail-order video service you forgot about? A membership to a gym you rarely attend? If so, now is the time to dump those wasted services and pocket the cash.

■ **Plan your portfolio for 2009.** Don't randomly liquidate investments. Your age matters in deciding what investment changes you should consider. The younger you are, the longer your investments have to recover.

As you review your portfolio, remember that it's important to diversify. You'll reduce risk by spreading

investments among stocks, bonds, and real estate. Within each category, diversify among different industries and companies. The worst thing you can do is to have too much tied up in the stock of the company you work for.

■ **Identify your tax opportunities for 2009.** There are many

credits and deductions available to you in such areas as retirement, education, home ownership, and child care. Recent tax laws have created new tax opportunities for which you might qualify.

■ **Also review and adjust your withholding or estimated tax payments.** If you receive



a big refund each year, file a new Form W-4 with your employer or change your quarterly tax payments. It's comforting to receive a small refund, but

refunds mean you're making an interest-free loan to the government – money you could be investing or using to your own benefit.

■ **Don't give up on saving for retirement.** Contribute at least enough to your 401(k) plan to earn your employer's match. Otherwise you're giving up "free" money. And don't forget that contributions to most retirement plans reduce your current tax bill while you're saving for retirement.

These are only a few of the things you can do to get your own financial house in order. For guidance in reviewing the best options in your situation, give us a call at 630-963-4900.

## RETIREMENT RULES CHANGE

A new law signed late last year – the Worker, Retiree, and Employer Recovery Act of 2008 – temporarily suspends a requirement for retirement plan distributions, clarifies provisions of the Pension Protection Act of 2006 (PPA), and eases certain funding requirements for pension plans. Here's a brief overview of the key changes.

### **Required minimum distributions (RMDs).**

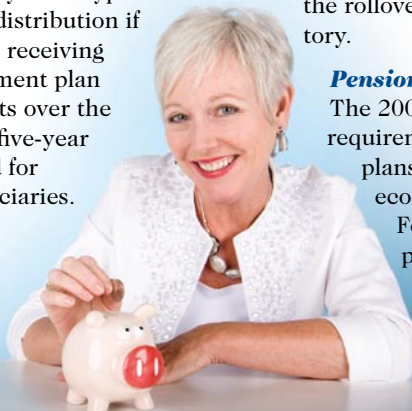
Normally, retirees must begin taking annual distributions from qualified retirement plans and traditional IRAs by April 1 of the year following the year they turn age 70½. Distributions are based on the owner's life expectancy and the account balance on December 31 of the prior year. Therefore, if your retirement plan's value dropped sharply in 2008, it's likely you'll have

to take a disproportionately large RMD based on your plan's higher 2007 value.

### **The new law suspends the rule for RMDs, but only for 2009.**

If you turned age 70½ in 2008, you still must take a 2008 RMD by April 1, 2009, but you can skip the 2009 distribution you would have been required to take by December 31, 2009.

Similarly, the new law allows you to bypass a 2009 distribution if you're receiving retirement plan payouts over the usual five-year period for beneficiaries.



**Nonspouse rollovers.** Previously, only a surviving spouse could roll over proceeds tax-free from a qualified plan to an IRA. The 2006 law extended this tax break to nonspouse beneficiaries (such as children) for trustee-to-trustee distributions. But it wasn't clear if plan administrators were required to allow the option. The 2008 law ends the debate. Effective for plan years beginning after 2009, the rollover option is mandatory.

### **Pension plan funding.**

The 2008 law eases funding requirements for pension plans during the current economic crisis.

For details on the provisions in the 2008 law, contact us.

## IRS ACTIVITY

### More On 2008 Tax Rebates

Remember the rebate checks authorized by the Stimulus Act of 2008 back in February of last year? Qualifying taxpayers had to file a 2007 tax return by October 15, 2008, in order to get a check. People who didn't file by then or whose circumstances have changed to make them eligible now get another chance to claim a "recovery rebate credit" when they file their 2008 tax return.

The rebate checks were based on 2007 return information; the recovery rebate credit is based on 2008 return information. Some factors that may make a person eligible for the credit include a 2008 change in income (from a job loss, for example), the birth or adoption of a child in 2008, a change in amount of social security or veterans' benefits received in 2008, and change

in dependency status (no longer being claimed as a dependent on someone else's return in 2008). For more information, see the IRS Web site at [www.irs.gov](http://www.irs.gov), or give us a call at 630-953-4900.

### Help For Taxpayers

During these tough times, the IRS is offering some assistance to financially distressed taxpayers. According to the IRS Commissioner, the Service wants to "go the extra mile" to help those facing unusual hardships resulting from job loss, massive medical bills, and home foreclosure. Areas where the IRS can provide assistance include increased availability of offers in compromise, flexibility with installment agreements, and postponement of collection actions in significant hardship cases.

The IRS will also expedite levy releases to keep tax liens from blocking a home sale or refinancing.

## BY THE NUMBERS

### IMPORTANT DATES FOR SPRING 2009

#### March

##### March 2

Deadline for employers who file electronically to send copies of 2008 W-2s to the Social Security Administration.

##### March 16

2008 income tax returns are due for calendar-year corporations.

##### March 16

Deadline for calendar-year corporations to elect S corporation status for 2009.

##### March 31

Deadline for payers who file electronically to file 2008 information returns (such as 1099s) with the IRS.

#### April

##### April 15

2008 individual income tax returns are due.

2008 partnership returns are due.

2008 annual gift tax returns are due.

Deadline for making 2008 IRA contributions.

Due date for first installment of 2009 individual estimated tax.

#### June

##### June 15

Due date for second installment of 2009 individual estimated tax.

This newsletter is issued quarterly to provide you with an informative summary of current business, financial, and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.



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