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CLIENT BULLETIN – DECEMBER, 2009

Dear Client,

As 2009 draws to a close, we wanted to make you aware of several new tax provisions and also review some others that continue to be important. These are but a few of the new provisions.

Taxpayers may deduct sales or excise taxes paid on the first \$49,500 purchase price of a new auto, truck, motorcycle or motor home for purchases from 2/17/2009 through 12/31/2009. These taxes are added to other itemized deductions or may be treated as an addition to the standard deduction and are allowed on a per vehicle basis.

For 2009 and 2010, there is a tax credit allowed for 30% of the cost of energy-efficient improvements made to a principal residence. A maximum of \$1,500 cumulative credit is allowed for the 2009 and 2010 tax years. Items qualifying for the credit include energy efficient insulation, doors, windows, roofs and heating and cooling systems. For amounts paid after May 31, 2009, taxpayers may no longer rely on the Energy Star Label but need a manufacturer's certification. There are also other requirements so please talk to us about this if you think you might qualify.

Congress extended the additional 50% depreciation and enhanced Section 179 expensing of assets purchased in 2009. In addition, they continued the waiver of 2009 required minimum distributions from IRA's for those taxpayers over 70 ½. In an effort to assist in paying educational expenses, Congress expanded the HOPE credit to cover up to 4 years of higher education and increased the credit to \$2,500 per year. They also included several computer-related expenses in the list of expenses which may be paid from a 529 college savings plan.

In November, Congress rolled out the expanded homebuyer credit for purchases after 11/06/2009. The credit remains at 10% of the cost of the principal residence not to exceed \$8,000 for first time home buyers and \$6,500 for those who have owned and lived in their homes for the past 5 consecutive years. The new act also raised the income limits for those who qualify for the credit and extended the time to purchase through April 30, 2010. If you bought a home in 2009, please discuss it with us.

We are ready to help you with your year-end tax planning to achieve maximum benefit from these and other tax provisions. If you have any questions about year-end planning or would like to make an appointment, please give us a call.

Our offices will close on Wednesday, December 23 at noon and re-open on Monday, December 28th for Christmas. We will also be closed on Friday, January 1st for the New Year's holiday.

We always take this opportunity to express our sincere appreciation for the opportunity to work with you during the past year. Our clients are the reason for the existence of our firm and we truly appreciate your business. We extend our sincere wishes for a joyous holiday season.

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.