

Highlights of Recent Tax Law Changes

Reduced Estimated Taxes in 2009 for Individuals with Small Businesses

For 2009, a qualifying small business owner can make reduced estimated tax payments without incurring any penalties. For example If you were previously required to pay \$10,000 per quarter under the old rules, you could reduce your quarterly payments to around \$8,000 and pay any balance due at April 15th. In order to qualify for reduced estimated payments your adjusted gross income must have been less than \$500,000 the prior year and 50% of your gross income must be from a small trade or business. Call us and we can help calculate your reduced required payment.

First Time Homebuyers Credit

The 2009 First Time Homebuyers Credit is \$8,000. Unlike the 2008 credit, it does not have to be paid back unless you move within three years. If you qualify and purchase a home in 2009, you can amend your 2008 tax return to claim this credit. You do not have to wait until you file your 2009 return to receive the credit.

NOL Carryback Period

The Net Operating Loss Carryback period has been expanded from 2 years to 5 years. This means you can carry any operating losses back for 5 years to offset income and create refunds. If you have a 2008 loss, we can go back to 2003 to offset income. This could result in significant refunds if you had taxable income in prior years.

We had one client with significant losses in 2008. He had no taxable income in 2006 or 2007, but we were

able to carry the losses back five years and recover taxes paid in earlier profitable years. Under the old law, he would have to carry the losses over to 2009 and later years, and possible use them to offset future income.



Education Credits

The new Law creates a \$2,500 Higher Education Credit that is available for the first 4 years of college. This temporarily replaces the \$2,000 Hope Credit that was available for the first 2 years of college.

Energy Credits

The residential energy credit is back for 2009. You now can earn a credit of 30% of the cost of energy efficiency improvements to your residence, up to a maximum credit of \$1,500. The credit applies to improvements such as adding insulation, energy efficient exterior windows, energy-efficient heating and air conditioning systems and solar hot water heaters. The standards for "energy efficient" are somewhat tighter than previously, so be sure the property you purchase qualifies.

A deduction of up to \$1.80 per square foot is available for certain energy efficient features that are installed in commercial buildings during construction or retrofit. This deduction will be available through 2013. Also, depreciation periods for "smart" electrical meters and grid systems have been halved for quicker write-off of these expenses.

There is still a \$2,000 credit for homebuilders for each certified energy-efficient home they build.

Social Security for the Self-Employed

Over the years, we have heard stories from several business owners who unsuccessfully tried to collect their social security benefits before full retirement age. If you own and operate your own business, there are certain considerations that you should be aware of before applying for benefits.



First and foremost, you should be retiring. If you are applying for benefits and have not yet reached full retirement age, the Social Security Administration will decide, based on facts you provide, whether or not you are “retired”. You cannot collect early benefits unless you are “retired”.

Most of us are aware of the earnings limitations for those people collecting benefits who have not reached full retirement age. However, as a self-employed person, you cannot just shift income to another family member

to get around this limit. Social Security will determine the value of your services and compare that value to the earnings limits.

Social Security will look at the work you are performing for the business after retirement compared to the work you performed before retiring. They consider the amount of time you spend at work in the business, the level of skill you provide to the business and various other factors. From this they will determine if you have actually reduced your workload and are in fact “retired” from the business.

There are a number of things to consider and steps to take before you walk into the local Social Security office to apply for your benefits. Let us help you prepare for that initial visit and increase your likelihood of qualifying.

Around the Office

Please join us in welcoming Rachel Nolen as a new client accountant. Rachel is a military wife who comes to us from South Carolina with her husband, Bob and their 6 year-old son, Will. Rachel is originally from Long Island and has a Bachelor of Science in accounting degree from the University of South Carolina. We are very pleased to have her here.

We progressed a little further on our paperless journey this past tax season. Along with our **3 monitors**, each of us now have **scanners** on our desks and **Adobe Standard** on our computers. Paperless is easy to accomplish. With all of this equipment in our workspace, there is no room for paper on our desks! We have had to use quite a bit of self-control not to get carried away with annotating, bookmarking and stamping our scanned documents. Those of us who lean more to the right sides of our brains have struggled to keep our creative urges under control

while using Adobe Standard. It's a good thing they didn't get us the Adobe Professional version!

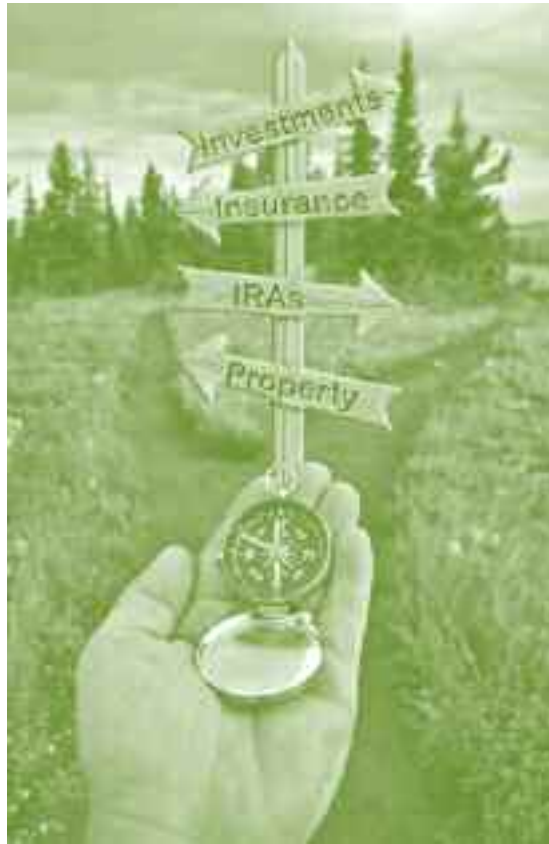
We recently had a lunchtime cookout here at the office. David Maxwell brought his grill and demonstrated his hamburger and hot dog skills. We are thinking of renting him out to others in need of his services. Lisa Sessoms provided excellent side dishes and Linda Fisher and Heather Godwin provided delicious desserts. Needless to say, we all ate too much and enjoyed a relaxing afternoon.

We are gearing up for audit season and the preparation of extended tax returns. If your tax return was extended, we would greatly appreciate it if you would bring your information in as soon as possible. The due date for federal partnership returns is September 15th this year, not October 15th as in the past.

We're different Method 10

Managing your finances can be a daunting task. Should I boost my 401K plan contributions or start a 529 Plan for my child? Do I really need long-term care insurance? How much life insurance do I need? These questions and many more can keep you awake at night. We can help you prioritize your concerns and address them with a well thought out plan of action. We look at ten areas of your financial life:

- Investment planning
- Tax planning
- Retirement planning
- Estate planning
- Business planning
- Insurance
- Education planning
- Debt management
- Income protection
- Special situations



Looking at all of this at once would be completely overwhelming. We have tools to help you prioritize your concerns and we deal with each area individually and in depth. Let's take a quick look at two, Investments and Tax Planning:

• Investment planning

Even at a time when we have just gone through a gut-wrenching bear market, there are certain things that we can control. We can diversify and allocate assets to best meet your long-term objectives according to your risk tolerance. We can and are rebalancing in order to force us to sell relatively high-valued assets high and buy low-valued ones. We continue to provide logical, meaningful support to help you stay the course and not give in to your very powerful emotions. Seasoned investors know

that we make all our money in bear markets; we just don't know it at the time.

• Tax planning

We know taxes. We understand the tax implications of selling a highly appreciated asset. We know the benefits and the limits to selling assets at a loss. We can help you decide when to take that loss and how to minimize tax on gains. Need to know the advantages and the steps of a 1031 exchange? We can help.

Have you thought about whether you are going to take a required minimum distribution for 2009? This year you have a choice. And in some cases we have found that it is tax-wise to take that distribution. We can help you in making financial decisions that

affect your tax situation.

We will take a look at other areas in future issues.

Mary C. Vizer, AAMS
Financial Advisor

*Mary Vizer, Financial Advisor
Securities offered through 1st Global Capital
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North Carolina Tax Changes

- Beginning Sept. 1, there is a penny increase on the sales tax. It will be 8 cents per \$1 of the purchase price of most goods in Cumberland County.
- There is a 2 percent to 3 percent surcharge on what certain upper-income taxpayers owe in state income taxes for the 2009 tax year. For corporations, the surcharge is 3 percent.
- There are also provisions to tax online sales of digital property, expand the nexus of sales & use taxes to certain online retailers and to increase the tax on tobacco and alcohol.