

## Appreciated Property - Gifting and Capital Gains Update

Another way to take advantage of the current recession is to consider gifting appreciated property to your children or grandchildren. If you own stock that you intended to pass on to others anyway, now may be an excellent time to gift it. The lower price per share and increased gift tax exclusion limits allow for a greater transfer of shares.

For example, say you own stock in Bank of America. If you had wanted to transfer some of this stock to your child on Nov. 2, 2000, when the price per share was \$49.25 and the gift tax exclusion limit was \$10,000, you would only have been able to transfer 203.05 shares to your child.

On Nov. 2, 2009, the price per share was \$14.63 and the gift tax exclusion limit was \$13,000. You could have transferred 888.59 shares to your child.

| Year | Gift Tax Exclusion Limit | Price Per Share | Shares Transferrable |
|------|--------------------------|-----------------|----------------------|
| 2000 | 10,000                   | 49.25           | 203.05               |
| 2009 | 13,000                   | 14.63           | 888.59               |

As you can see, you may now be able to transfer four times as many shares and still not create a taxable event. The recipient's basis in the transferred shares will be your basis in the shares at the time of transfer (your cost and reinvested dividends).

As you are considering what to do with appreciated property, keep in mind that the lower capital gains rates we have enjoyed are set to expire Dec. 31, 2010. The top rate for long-term capital gains is set to increase from 15% to 20%. If you have appreciated real estate that you were considering selling in the near future, you may want to accelerate the sale to take advantage of the lower tax rate.

## Electric Vehicle Credits



You have probably heard of the credits available for the purchase of electric vehicles, including golf carts certified to be manufactured for use on roadways. These credits vary according to when you purchase and the excess kilowatt-hour capacity of the battery installed on the vehicle. If you are considering purchasing a golf cart to take advantage of these credits, please call us so that we can let you know in advance if your vehicle will qualify and how much of a credit you can expect.

### Items that have changed that may affect your tax situation:

- Homebuyers Credit expanded
- 5-year NOL Carryback available for all businesses
- Vehicle Sales Tax deductible
- Education Credits expanded
- NC Surtax applies

## Heads Up - Changes Coming for Payroll Tax Deposits

We have been notified recently that some banks are no longer accepting payroll tax deposits using form 8109 coupons. If you are still making your tax deposits by taking a coupon to the bank, you may want to enroll in EFTPS (Electronic Federal Tax Payment System) before your bank stops accepting the deposits.

You can enroll in EFTPS online or you can complete a paper application that we have available. Because it takes a week or two to get your PIN number from EFTPS, you may want to apply now to avoid late payroll tax deposits if your bank stops providing this service.

So far, we know that Bank of America and First South Bank are discontinuing this service. For a number of years, the IRS has been encouraging employers to use EFTPS to make their deposits. Employers with larger liabilities are required to use EFTPS. Banks are not allowed to charge for accepting 8109 deposits and

offered it in the past only as a convenience to their customers. With so many taxpayers using the electronic system already, we suspect the banks are now realizing that making these deposits for their customers is not cost effective and so they are discontinuing this service.



Another change to watch for...

For all new businesses, NC Department of Revenue will no longer allow you to pay your taxes over the phone. This must be done online. Established businesses can still use the phone option for now. This will eventually change and all taxpayers will have to pay online.



## Around the Office



The big news around here is another new baby! John Strother and his wife, Ashley, welcomed a new baby girl, Jordyn Faith, on October 26th. Both baby and Mom are doing very well, but John still looks a bit dazed from adjusting to the new sleep schedule. We know from his lack of sleep that he'll be a great dad! Congratulations, John & Ashley!

Be careful if you are out in John's neighborhood. He and his brother have constructed a Potato Launcher and are testing it out in the fields on a regular basis. So far, they've managed to launch

143 yards. They are now working on better visual effects.

We have completed all of our end-of-year continuing education courses and are ready to prepare tax returns, W-2s, 1099s and business property tax listings! We have been updated on the changes in law, changes in processing and changes to our software products. Property tax organizers were mailed out December 31st and personal tax organizers will be mailed mid-January. Please let us know if you do not receive yours.

## Roth Conversion Opportunity!

For 2010, anyone, regardless of your modified adjusted gross income, may convert a traditional IRA to a Roth IRA. A Roth IRA allows for tax-free distributions of income, as long as the owner is age 59 ½ and the IRA has been in existence for at least five years.

There are several advantages to a 2010 Roth IRA conversion. One is the ability to spread the tax burden of the traditional IRA withdrawal over tax years 2011 and 2012. In addition, if your income is down, like many others in this recessionary period, you may find yourself in a lower tax bracket reducing the overall effect of the tax that is associated with the withdrawal.

It probably goes without saying that you have watched your IRA savings diminish and although this is not good news, it does create a good opportunity to convert your traditional IRA to a Roth IRA. You will pay less tax on smaller gains. This paired with the two-year period to pay your taxes and potentially lower tax bracket could create the perfect time to convert.

As for estate-planning, a conversion makes sense as beneficiaries do not have to pay income tax on withdrawals from Roth IRAs, unlike traditional IRAs, where the beneficiary must pay income taxes on the withdrawals according to their own tax bracket.

Call Mary Vizer if you are interested in converting your IRA. She will be able to help you accomplish this.

*Mary Vizer, Financial Advisor  
Securities offered through 1st Global Capital  
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## Depreciation Update

For 2009 only, restaurant buildings and improvements placed in service in 2009 will qualify for 15-year amortization rather than the 39-year depreciation usually allowed.

Qualified retail improvements to property held more than 3 years will also receive 15-year treatment. These will be interior improvements to retail property that do not include enlarging the building, improvements to common areas, internal structural framework or elevators/escalators.



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## 2010 Rates and Limits

Retirement plan contribution limits remain the same.

- 401 (k) plans - \$16,500 (\$5,500 catch-up)
- SIMPLE plans - \$11,500 (\$2,500 catch-up)
- IRAs - \$5,000 (\$1,000 catch-up)

The standard mileage rate for the business use of an automobile is 50 cents per mile, down from 55 cents per mile in 2009.

Annual gift tax exclusion remains \$13,000.