

This Month:

- ◆ 2nd Quarter 2009 Due Dates
- ◆ 2009 Recovery Act

2nd Quarter 2009 Due Dates

April 15:

- **Individuals:** 2008 Form 1040 due, or file Form 4868 for automatic 6-month extension. Last day to contribute to an IRA and ESA for 2008. First installment of 2009 estimated tax due. 2008 Form 709, *US Gift Tax Return*, due if more than \$12,000 was gifted to any individual other than a spouse or charity in 2008.
- **Partnerships:** 2008 Form 1065 due, or file Form 7004 for automatic 5-month extension.
- **Calendar-Year C Corporations:** First installment of 2009 estimated tax due.

April 30:

- **Employers:** File Form 941 for 1st quarter 2009.

May 15:

- **Partnerships & S Corporations:** Form 8752 due for those using a fiscal year under a Section 444 election.

June 15:

- **Individuals:** Second installment of 2009 estimated tax due for individuals. 2008 Form 1040 due for U.S. citizens or resident aliens living and working (or on active military duty) outside the U.S. and Puerto Rico, or file Form 4868 for 6-month extension.
- **Calendar-Year C Corporations:** Second installment of 2009 estimated tax due.

2009 Recovery Act

The recently enacted "American Recovery and Reinvestment Act of 2009" (2009 Recovery Act) contains a wide-ranging tax package that could have a significant impact on you, your family, and your business. Below is an overview of the more widely applicable tax changes. If you would like more details about this or any other aspect of the new law, please do not hesitate to call.

INDIVIDUALS:

"Making Work Pay" credit. An individual tax credit up to \$400 for single filers and \$800 for joint filers in 2009 and 2010 is now available for those whose Adjusted Gross Income is expected to be less than certain amounts. You can claim your credit by a reduction in the amount of income tax that you have withheld from your paycheck, or later through a credit on your tax return. For 2009, a paycheck credit will result in about \$13 more in take-home pay per week, starting in April. For 2010, the extra net pay will go down to around \$7.70 per week.

Economic recovery payment. A one-time payment of \$250 to retirees, Social Security Administration and Railroad Retirement beneficiaries, and to veterans receiving disability compensation and pension benefits from the U.S. Department of Veterans' Affairs. The one-time payment is a reduction to any allowable Making Work Pay credit.

Refundable credit for certain federal and state pensioners. The new law provides a one-time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

Unemployment compensation exclusion. A provision temporarily suspends federal income tax on the first \$2,400 of unemployment benefits received by a recipient in 2009.



Expanded earned income tax credit. The new law provides tax relief to families with three or more children and increases marriage penalty relief through increased credit percentages for 2009 and 2010.

Expanded child tax credit. A measure increases the eligibility for the refundable child tax credit in 2009 and 2010 by lowering the earned income threshold.

Expanded and revised higher education tax credit. The new law creates a \$2,500 higher education tax credit that is available for the first four years of college. 40% of the credit is refundable. The new credit temporarily replaces the Hope credit.

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Computers as an education expense. A provision permits computers and computer technology to qualify as qualified education expenses in 529 education plans for tax years beginning in 2009 and 2010.

Expanded credit for first-time home buyers. Last year, Congress provided certain taxpayers with a refundable tax credit of up to \$7,500 on the purchase of a home by first-time home buyers on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit were required to repay it back to the government over 15 years (or earlier if the home was sold). The new law eliminates the repayment obligation for those who purchase homes on or after January 1, 2009. It also extends the credit through the end of November 2009, and bumps up the maximum value of the credit to \$8,000 for qualifying purchases made in 2009. Taxpayers who qualify for the credit and purchase a home in 2009 before Dec. 1 can claim the credit either on their 2008 tax returns due April 15 or on their 2009 tax returns next year.



Deduction for new car purchasers. The new law allows those with income under certain levels to deduct State and local sales taxes paid on the purchase of a new car, including light trucks, SUVs, motorcycles, and motor homes. The deduction is allowed to both itemizers and nonitemizers, but not by those who elect to deduct state and local sales taxes instead of state and local income taxes.

Alternative minimum tax (AMT) patch. To hold the number of taxpayers subject to the AMT at bay, the new law increases the AMT exemption amounts for 2009 and allows the personal credits against AMT.

BUSINESSES:

“Making Work Pay” credit. This individual tax credit (previously mentioned) requires all employers to use new withholding tables for Federal income tax withholding beginning in April. The IRS has sent to all employers a new Publication 15-T, *New Wage With-*

holding and Advance Earned Income Credit Payment Tables, for this purpose which explains the withholding rules. Use the new withholding tables for ALL of your employees unless they submit a new Form W-4 indicating otherwise.

Extension of bonus depreciation. Last year, Congress temporarily allowed businesses to immediately write off 50% of the cost of depreciable property acquired in 2008. The new law extends this temporary benefit for qualifying property purchased and placed into service in 2009.

Extension of enhanced small business expensing (Section 179). Last year, Congress temporarily increased for 2008 the amount that small businesses could write off for capital expenditures incurred and increased the phase-out threshold. The new law extends these temporary increases for capital expenditures incurred in 2009.

Expanded loss carryback of net operating losses for small businesses. Under pre-Act law, net operating losses (NOLs) may be carried back two years and carried forward twenty years. For 2008, the new law extends the carryback period from two years to five years for most small businesses.

Incentives to hire unemployed veterans and disconnected youth. Businesses are allowed to claim a work opportunity tax credit calculated on wages paid to employees of one of nine targeted groups. The new law expands this credit to include two new groups: (1) qualifying unemployed veterans; and (2) qualifying disconnected youth.

Qualified small business stock. The new law increases the exclusion for gain from the sale of certain small business stock held for more than five years from 50% to 75% for stock issued after the enactment date and before 2011.

S corp holding period. The new law temporarily shortens the holding period of assets subject to the built-in gains tax from 10 years to seven years.

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