

TAX ADVISORY

Tax Tips for 2009 and 2010

Our Support Team

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Dear clients and friends:

February is an important month for preparing your tax returns and for planning early for your 2010 taxes. These are some items for your consideration. As always, it is important to consult with a tax expert.

1. **Consider accelerating your personal income in 2010.** Tax rates may increase next year. You may want to accelerate income in 2010 rather than let it fall in 2011.
2. **Consider setting up a defined benefit plan.** Small business owners over the age of 50 can make a bigger contribution to defined benefit plans than to defined contribution plans.
3. **Consider doing a like-kind exchange for real estate transactions.** This makes it a non-taxable event when there is no cash transferred to the seller.
4. **Consider investing in triple A municipal bonds.** A 3% on a municipal bond is equivalent to an 5% taxable bond.
5. **Consider exchange traded funds (ETFs) with small dividend amounts.** Current taxes are minimal on dividends paid vs. higher paying dividend securities such as utilities.
6. **Use Qualified Tuition Programs (Section 529 Plans) to fund your child's higher education.** Earnings on those savings are not taxable under certain conditions.
7. **Does your young adult child over 16 work with you in your business, maybe in the summer or on the weekends?** Consider putting them on the payroll giving you a tax deduction for the expenditure and they pay at a lower tax rate.
8. **Consider charitable donations to Haiti before March 1.** Not only are charitable donations worthy in and of themselves, but donations to Haiti can be deducted from the 2009 tax return if the donation is made prior to March 1 this year and proper records are kept.
9. **Consider converting your regular IRA to a Roth IRA.** Roth IRAs have no tax on earnings while you are alive and can be passed on to heirs over time with no tax on the earnings. There is a tax on converting from Regular IRAs to Roth IRA so check with a tax expert.
10. **Consider having your will/living trust documents reviewed now to take advantage of the 2010 estate tax repeal.** There is no estate tax in 2010 but it will come back in 2011.
11. **Consider adopting a Simplified Employee Pension plan or SEP.** If you are self-employed with few if any employees you may be eligible to get a tax deduction for your contribution as late as October 15, 2010.
12. **Consider doing a cost segregation study on your newly purchased office or rental building.** You could be eligible to receive greater depreciation deductions and increased cash flow with this methodology.
13. **Consider closing on your prospective new home before May 1st.** There is a potential residential tax credit under certain conditions.
14. **Are you a business owner? Consider taking loss carry back for losses in 2008 and 2009.** Currently the law allows for a special provision five year carry back vs. the regular two years carry back provision in prior years.
15. **Consider installing alternative energy sources.** High end solar water heaters and wind energy property installed in your home can generate tax credits of 30% of expenditures so you could reduce your tax, operating costs and help the environment.
16. **Consider making taxable gifts in 2010.** Consider doing that now when you may be able to obtain a 35% gift tax rate instead of a 45% rate.

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17. **Are your asset values depressed? Consider a gifting program that includes the sale of assets for a promissory note this year.** When asset values are depressed, you gain by selling the lower valued assets. For example, a business owner who wishes to sell his business to his children can gain by selling the depressed valued assets at this time. There are, of course, limitations with sales to related parties.
18. **Are you the beneficiary of a trust?** Consider if it is best to pass out income to be taxed to the beneficiaries or if it is better that the trust pay the tax on income.
19. **Consider setting up a revocable trust for your assets to avoid probate and provide ease in administrating your estate.** The process of administrating a trust is simpler compared to that of administering a decedents estate. The Probate process is also part of the public record.
20. **Consider energy efficient vehicles to obtain tax credit** – electric plug in vehicles as well as hybrid vehicles can provide substantial tax credits. The law provides a separate credit for certain low-speed and 2- or 3-wheeled plug-in vehicles.
21. **Consider charitable contributions of highly appreciated property vs. that of cash contributions.** The tax advantage can be beneficial for both the qualified charity as well as the donor.
22. **Consider setting up a charitable foundation to accelerate contribution deductions** and allows the donor greater control of the use of funds by the receiving charity.

Please note that these are abbreviated tax tips and your particular situation should be consulted with your tax practitioner.

Sincerely,



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