



## Dudley's Dogma\*



### Identity Theft: DOs and DON'Ts

According to CBSnews.com, an identity is stolen every **79 seconds...** and the statistic is only rising. Victims spend an average of 600 hours recovering their identity, and may spend thousands of dollars in related expenses. To help prevent identity theft:

#### DO

- ✓ Use a cross-cut shredder
- ✓ Check online shopping sites to make sure they're secure & never store your credit card information
- ✓ Load virus protection on your computer & create firewalls
- ✓ Request your credit report at least once a year from companies such as Equifax, Experian & TransUnion

#### DON'T

- ✗ Give out personal information over the phone unless you initiate the call
- ✗ Carry your Social Security card in your wallet, especially if that's where you keep your insurance card
- ✗ Pick easy PINs or write your pin on the back of your debit/credit card

\* *Dudley is Vic's 6 yr old Lab*

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## The American Recovery & Reinvestment Act of 2009

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 into law. Many of the incentives are retroactive to January 1, 2009. The Act contains numerous provisions; here are some to consider:



### Selected Individual Incentives

**Making Work Pay Credit:** This is a credit against income tax equal to the lesser of 6.2% of the individual's earned income or \$400 (\$800 for married couples filing jointly). The credit is phased out at a 2% rate for individuals whose modified adjusted gross income exceeds \$75,000 (\$150,000 for married couples filing jointly).

**\$250 Economic Recovery Payment:** A one time payment of \$250 to individuals on fixed incomes, including Social Security recipients, railroad retirees, disabled veterans, and retired government workers, which reduces any Making Work Pay Credit to which the individual would otherwise be entitled.

**Alternative Minimum Tax [AMT] Patch:** The 2009 exemption amounts were increased a nominal amount above those passed in the 2008 Economic Stimulus Act.

**First-time Homebuyer Tax Credit:** The current maximum homebuyer credit is increased from \$7,500 to \$8,000, and is extended through November 30, 2009. Also, the requirement to repay the IRS is eliminated after 36 months in the home. Purchases made after April 9, 2008 and before January 1, 2009 continue to be governed by the original first-time homebuyer credit rules enacted last year. The credit phase-outs start for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for joint filers).

**New Car Sales and Excise Tax Deduction:** Purchasers of new vehicles for the rest of 2009 are allowed an above-the-line deduction for state and local sales taxes or excise taxes paid on their vehicle purchase. There are two limits on this deduction: (1) deductible taxes cannot exceed the portion of tax attributable to the first \$49,500 of the purchase price of any one vehicle, and (2) the deduction is phased out if adjusted gross income exceeds \$125,000 (\$250,000 for joint filers).

### Selected Business Provisions

**COBRA:** Certain laid off workers are entitled to a 65% COBRA health insurance premium subsidy for up to 9 months. Even companies not required to comply with COBRA (fewer than 20 employees)



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## Required Minimum Distributions - 2009 Only



Late last year, Congress passed a new package of pension-related tax breaks. President Bush signed the "Worker, Retiree and Employer Recovery Act of 2008" into law on December 23, 2008. The new law significantly suspends the rule for required minimum distributions (RMDs) in 2009.

The amount of the required distribution is based on life expectancy tables and the value of the account on Dec. 31 of the previous year. Thus, if the value has plummeted this past year during the stock market crisis, your distribution for the current year is disproportionately large.

Generally, you must begin taking RMDs from your qualified retirement plans and traditional IRAs (but not Roth IRAs) after you've reached age 70 1/2. This requirement is postponed for qualified plan distributions if you're still working and don't own 5% or more of the company. If you fail to take the annual required distribution, the IRS will assess a 50% penalty tax on the shortfall.

In light of the recent stock market decline, the new law suspends the RMD rule for 2009. Similarly, a beneficiary taking distributions following the death of a qualified plan account-owner, or IRA-owner, can choose to skip the required distribution in 2009.

"First-timers" who turned 70 1/2 in 2008 have until April 1, 2009 to begin taking their RMD. Those individuals must still make their withdraw for the 2008 tax year, but can skip the RMD for the 2009 tax year. ☺

## The American Recovery and Reinvestment Act of 2009, continued from page 1

must comply with this new COBRA subject to specific rules and expectations. Under the subsidy program, the federal government will help pay for the COBRA benefit of certain individuals who are involuntarily terminated between September 1, 2008 and December 31, 2009, as long as these individuals pay 35% of the premium. The company will pay and then be reimbursed by the federal government for the remainder of the premium by a credit against the company's payroll taxes. Companies must identify and notify all eligible individuals of this subsidy. The deadline to notify those who dropped or declined COBRA coverage is April 18, 2009.

**Net Operating Losses [NOLs]:** Businesses with gross receipts not exceeding \$15,000,000 may elect a three, four, or five-year carryback of 2008 NOL's, instead of the otherwise two-year period.

**Built-In Gains:** Effective for tax years beginning in 2009 and 2010, the S corporation built-in gains holding period is reduced from 10 years to seven years.

## To Gift or Not to Gift

Now may be a great time to make gifts to your children [and grandchildren]. Of course, there are financial and non-financial considerations before making any significant gifts, such as making sure you don't give away assets you may need in the future. Certain gifting techniques enable you to make gifts without giving away the entire asset.



Common gifting goals include transferring as much wealth as possible without incurring any gift tax, and reducing or eliminating estate and inheritance taxes. The best assets to gift are those that are likely to appreciate in the future, but currently have a low value. This could be securities in your investment portfolio, or a closely-held business. However, listed securities with a market value below your cost are

## Victor Dozzi, CPA, MST, CFE

Vic Dozzi was recently named a Certified Fraud Examiner (CFE) by the Association of Certified Fraud Examiners. Vic has been with CE for twelve years, a Partner since 2006.

As a fraud examiner, he is qualified to gather information, conduct interviews, prepare reports and advise clients on his findings, and to testify in court.

Vic earned his Master's degree in taxation with *high honors* from Duquesne University and holds a bachelor's degree, *magna cum laude*, in mathematics and accounting from Carlow University.

**Alternative Motor Vehicle Credit:** The Act adds a 10% credit up to \$4,000 for the cost of converting a motor vehicle to a plug-in electric drive vehicle for property placed in service in 2009 through 2012.

**Bonus Depreciation:** The Act extends the 50% bonus depreciation allowed under the 2008 Economic Stimulus Act through December 31, 2009. It also extends, through 2010, the additional year of bonus depreciation allowed under the 2008 Economic Stimulus Act for property with a recovery period of 10 years or longer.

**Code Section 179 Expensing:** The Act extends the 2008 increased expensing amounts to 2009. The amount of expensing was increased to \$250,000, and the threshold for reducing the expense was increased to \$800,000.

For more information about the Act, please call us or visit our Web site @ [www.ce-cpa.com](http://www.ce-cpa.com).

## Taking advantage of troubled markets

poor choices for gifting because the tax loss will be wasted.

If you own a business, its value may be relatively low now, allowing you to transfer a percentage to your heirs without incurring any gift tax. In 2009, the annual gift tax exclusion was increased to \$13,000 [from \$12,000], although the lifetime gift tax exclusion remains at \$1,000,000.

In addition, legislation has recently been introduced in Congress to eliminate discounts for gifts to family members of shares in family businesses. Until it's closer to becoming law, we won't know the exact limitations on such valuations, but Congress may consider it an easy way to resolve a part of its budget deficit.

## Certified Fraud Examiner

Along with advising business and non-profit clients on accounting and financial matters, he has taught and lectured at Carlow, the University of Pittsburgh, and other nonprofit institutions. Vic also serves as Treasurer of the Greater Pittsburgh Arts Council and as a member of the Executive Committee of the Pittsburgh Chapter of the PA Institute of CPAs.



## LITE BYTES

### Going, Going... Extended!



The Emergency Economic Stabilization Act (EESA) extended the following provisions that were set to expire:

**Energy Incentives** – are extended two years through 2009. These incentives provide a tax credit for certain energy efficient improvements made to taxpayers' homes.

**Discharged Mortgage Debt Exclusion** – is extended three years through 2012. Discharged mortgage debt is excluded from gross income and instead, reduces taxpayers' basis in their home.

**Additional provisions** were also extended through 2009:

- Sales tax deduction
- Above-the-line deduction for qualified higher education expenses
- Teachers' above-the-line deduction for up to \$250 in educational expenses
- Additional standard deduction for real estate taxes
- Exclusion from gross income for distributions from Traditional and Roth IRAs contributed to a charity

### '09 Mileage



The 2009 standard mileage rate for the use of a car, van, pick up or panel truck is 55 cents per mile for business miles driven, 34 cents per mile for medical or moving purposes, & 14 cents per mile driven in service of charitable organizations.



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