



Axtax Matters

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Happy New Year! It's that time again. As this past year has been an economically challenging one for many, we appreciated your patronage. We look forward to helping you with your tax preparation and planning needs as our firm celebrates its 25th year in providing superior tax services.

Get Ready for Tax Season. Nothing can be more stressful than the process of putting your paperwork together. We want your tasks to proceed as smoothly as possible, so we've compiled a few tips to help bring some relief.



Organize Your Records by sorting both your income and tax deductible expenses. Use your own format or if you need a tax organizer, let us know. You can either download these at our web link: <http://www.axtax.com/linksforms.htm> or email or call us and we'll send out a copy to you. Included in this mailer is a checklist and questionnaire. We ask that you fill and submit this with your paperwork.

Schedule an Appointment or you can mail/email/fax your tax records in. Our office will be open from Monday to Friday from 8:30 am to 8:30 pm (PST) and also on Saturdays from 9:00 am to 5:00 pm, January 25 through April 10, 2010. We are closed on Sundays. After April 15th, we will be available during normal business hours.

Our Fees are based upon the complexity and time it takes to do your tax return. They are due in full upon the completion of your tax work and before the return is given out or electronically filed.

We are pleased to announce that Mr. Charles Fisher, EA of Auburn, WA will be assisting us at *Axtax, Inc.* this year. He has an extensive background in Internal Audits and Corporate Taxation and has prepared income taxes for individuals and small businesses for many years.

Tax laws grow more complicated every year. Washington passes new tax breaks all the time - but federal budget rules make it difficult for Washington to make those breaks permanent. This means that each year, dozens of tax breaks expire. Some of

these have little effect on you. By visiting the IRS' website at www.irs.gov, you'll discover some of the 2009 tax provisions:

There is an additional \$500/\$1000 standard deduction for taxpayers who do not itemize in 2009 for real estate taxes they paid.

There is a new deduction for sales tax paid on a motor vehicle of less than \$49,500 for non itemizers.

The Making Work Pay Credit will give some taxpayers up to \$400/\$800 tax credit, depending on their income for the year. Taxpayers who receive social security, pensions (federal & state) or railroad retirees' income can get an added \$250.

There is a \$1,500 tax credit (30% of the cost of qualifying improvements) in 2009 & 2010 to improve the energy efficiency of an existing home. There is a solar, wind or geothermal energy credit available for 2009.

The first time home buyers credit of \$8,000 has been extended for purchase of a new primary residence until April 30, 2010. The tax bill also added a long time residence credit of \$6,500 for those taxpayers who sold their old home and bought a new personal residence.

The first \$2,400 of unemployment you receive in 2009 will be tax free for many unemployed workers.

Did you give noncash items to charity? If so, the rules have been tightened. The items must be in good condition. This means documentation is even more important than ever, IRS is taking a closer look at this deduction.

Rules for the 2009 charity contributions. No deduction will be allowed unless the donor can show a written receipt with the date of the contribution and amount of the contribution. This includes ALL cash contributions you wish to deduct as an itemized deduction, regardless of the amount given.

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Taxpayers can claim an itemized deduction for mortgage insurance premiums paid in connection with acquisition indebtedness on a qualified personal residence bought in 2007 or later.

If you have non taxable interest earned, you need to advise us of the amount. Brokerage houses are required to report this to the IRS.

The sales tax deduction. You can use actual expenses or the IRS table plus taxes paid for cars, boats, motor homes, etc. and home improvements.

College Tuition and related expenses including fees, books, and required course material will qualify for the new education credit (100% of the first \$2,000 and 25% of the next \$2,000 spent).

Educator expenses up to \$250 are back.

The alternative minimum tax exemption amount for 2009 was increased to \$70,950 for married filing joint and \$46,700 for unmarried taxpayers

The rules for determining allowable business miles are: If you have an office or regular place of business outside of your home: you may deduct mileage from your first place of business to your last place of business each work day.

If you have an office in your home that qualifies for a home office deduction, most of your business miles could be deductible.

If you work out of your home but do not qualify for the home office deduction, the distance between home and your first stop and between your last business stop are considered commuting miles. A trip to the bank, post office, or a nearby supplier can count as your first or last stop of the day.

The deduction for business miles is determined by the percent of business miles driven during the year to the total miles you have driven all year.

Don't forget to record the beginning and the year end odometer reading if you are planning on deducting business miles.

On the tax return there is a box that must be marked that you have records that substantiated the business miles that you are reporting.

Did you buy a computer that you would like to

deduct? You can use the following guide to determine what is deductible.

If you are an employee, a computer must be required as a condition of employment, and for the convenience of your employer, to be deductible. You will need a letter from your employer stating that they require you to have a computer.

If you are self employed and do not have an office location or a qualified office in home you must allocate the business use and personal use. The business percentage of computer usage, measured by time used for business only, is deductible.

You must keep a log of the business use.

The same documentation rules for computers also apply to cell phones. Your records should show time, place and purposes to be a deductible business expense. IRS has a hard time believing any cell phone is 100% for business.

Congress and IRS feel that there is abuse to home mortgage interest and have been looking at home mortgage interest deductions.

You can deduct interest that you paid on your principal residence for: Interest paid on a debt to acquire, construct or substantially improve your main residence or second home (up to a \$1,000,000 loan).

Home equity debt secured by the home which does not exceed the acquisition debt of \$100,000.

Any amounts over the allowed limits must be prorated. If the amount is used for investments, it can be used to offset investment income.

If loan proceeds are used to acquire both personal and business use property, the interest must be allocated, based upon the principal borrowed for each use.

You must keep records on how the loan proceeds were spent. It is wise to keep the funds separate whenever possible.

We'll need to see all 1098's provided by your mortgage companies.

At your service, *Anthony & The Aunt*