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Client Information....December, 2009/January 2010

Organizers. We will be sending out organizers shortly to assist you in getting information together necessary to prepare your tax returns. Please use them to assure you get all the appropriate information together. They are also available on the website along with some other forms which may be helpful.

Appointments. Please call to schedule your appointment as soon as possible. We are available most days if necessary. We do schedule most appointments for early morning, the evenings, or on Saturdays to try to work with your schedules. Make sure you will have all information available prior to your appointment.

Making Work Pay Credit. The February 2009 tax bill passed by congress included a credit which can range from 400 to 800 dollars. If you are an employee this credit has already been given to you by decreased withholding on your paychecks throughout the year. There was no adjustment made in this withholding for people with multiple sources of income. This could cause your refund to be lower than you expect or the amount you owe to be higher than you expect.

First Time Homebuyer Credit. The \$8,000 first time homebuyer credit has been extended to June 30, 2010, if there is a binding contract in place by April 30, 2010. There is a new credit available to existing homeowners who have owned their home as a primary personal residence for any five consecutive years of the preceding eight years. This \$6,500 credit has similar income and purchase price limits as the first time homebuyer credit. If you are looking at purchasing a new home, contact us with any questions beforehand.

New forms for deductions. In another example of tax simplification, the IRS has created two new forms for claiming deductions: Schedule L and Schedule M. Schedule L computes additional deductions for real estate taxes and sales taxes on new motor vehicles. Schedule M computes the Making Work Pay credit.

Energy Credits. There are two energy credits available. 1. 30% of what a homeowner spends on energy saving improvements up to a maximum tax credit of \$1,500 for the 2009 and 2010 tax years combined. The cost of certain high efficient heating and air conditioning systems, water heaters, and stoves that burn biomass all qualify, along with labor costs for installing these items. The credit is also available for energy efficient windows, doors and skylights approved insulation and certain roofs. The cost of installing those items does not count. 2. 30% of what a homeowner spends on qualifying property such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines, and fuel cell property. This credit does include labor to install. Except for fuel cell property this credit does not have a cap. To qualify for either of these credits the product must be certified.

You must have the certification statement. It can be found on the manufacturers website and is often available where the product was purchased.

College Tax Credit. The American Opportunity Credit is designed to help parents and students pay part of the cost of the first four years of college. The new credit modifies the existing Hope Credit for tax years 2009 and 2010, making it available to a broader range of taxpayers, including those who owe no tax. Tuition, textbooks, and other required course material generally qualify. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.

Charitable Contributions. All cash contributions require at least a bank record or a receipt from the charity. Cash contributions may no longer include small amounts given to bell ringers or put into collection plates unless there is a receipt from the charity. There must be a cancelled check or receipt for contributions less than \$250. For all contributions of \$250 or more, there must be a receipt; a canceled check will not suffice. Please visit my website for a form to use in helping determine the amount of non cash charitable contributions.

Mileage rates. For 2009 the mileage rate for business use was .55 per mile. For 2010 it drops to .50 per mile. For charitable purposes the 2009 and 2010 rate is .14 per mile. for Medical and moving the rate for 2009 was .24 and for 2010 will be .165.

Business meals. As a reminder meal expenses are considered personal and non-deductible. Expenses for lunches or other meals for yourself when away from the office or out of town while on business are not deductible. Meals where you entertain customers or vendors must have the date, and a notation of the individuals present along with the business information discussed noted on the receipt. In this case 50% of the amount spent on the meal is deductible. 100% of the tip will be deductible if separately stated. Meals provided to employees such as for company picnics/parties or in conjunction with overtime work are 100% deductible.

1099 and K1 forms. When you come for your tax appointment, it is imperative that you bring all 1099 forms and K1 forms you have received. These forms delineate special information for how certain amounts are taxed such as which dividends qualify for the lower 15% tax rate. If you are still missing 1099 or K1 forms on your appointment date, please come to your appointment anyway. That will enable us to get started on your returns, and we can fill in the missing data when it becomes available.

Business mileage. There are strict rules concerning business mileage. Following is information you must provide if you are claiming either business mileage or taking actual expenses on a vehicle:

- average daily round trip commuting distance
- Total commuting mileage for the year
- Total mileage put on the vehicle for the year
- Number of miles the vehicle was used for business
- Do you have evidence to support your deduction?
- Is the evidence written in a log of some sort?

Guess who gets audited if you answer no to either of these last two items? And no, we cannot fib for you or provide approximations out of thin air.

Homework. It is not uncommon for clients to leave their tax appointment with "homework"-a list of information the tax preparer still needs in order to complete the return. Please provide this homework as soon as possible to avoid backlogs or delays in

processing your returns. If homework is not furnished before March 15, you can expect that your return will be placed on extension. Note that you still must pay your taxes by April 15 even if you are on extension. Also, any clients who have not signed the electronic filing authorizations prior to April 10 will have their returns put on extension.

Our Newsletters. This newsletter as well as all our newsletters, organizers, website, and other documents are general in nature. No transaction should be completed without a professional consultation on its ramifications. Please pass this newsletter along to a friend or colleague when you have finished, or phone for an extra copy. Recent newsletters are also posted on our website.

New Clients. We thank you for the many nice referrals that you have sent to us over the past years. We have increased the amount of time available for new clients over the next year. This has opened up more capacity for income tax clients. So please keep us in mind if any of your friends, relatives or colleagues express a need for professional tax assistance. Good referrals are always appreciated. We are also expanding our business advisory and process improvement services. We are available on a year round basis for income tax, estate planning, business planning, process improvements, and personal financial planning consulting.

The Fam. For those of you you are acquainted with us and have expressed interest in the doings of the family here are a few quick pieces of information from the past year. Josiah married Rebekah in July. His business continues to be exciting and dynamic. Maria started medical school at Rocky Vista University in Parker, CO. She will be a doctor in 4 years. Hannah is finishing college at home over the next year and is working as a nanny. She has also done some excellent work as a photographer over the past year. Honami is in college in Toyohashi. Susan has been enjoying playing in her garden and homemade hothouse as well as chaperoning Josiah and Beka's work activities. John and Susan will have been married for 30 years this coming year. A copy of the Gallo family cookbook is available to anyone who asks for it.