



Certified Public Accountants & Business Development Specialists

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E-Balance Sheet

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New Stimulus Plan Details

Last month, President Obama signed the new \$787 billion “American Recovery and Reinvestment Act” into law. This stimulus plan contains many different incentives and can be a bit overwhelming to sift through, so we’ve gathered information on some of the highlights:

- “Making Work Pay” tax credit of \$400 per individual making less than \$75,000 per year (\$800 per married couple making less than \$150,000 a year) and slowly phased out if you make more than

that. You’ll soon notice a change in your paycheck—expect to receive about \$8 to \$10 more per week.

Some critics have ques-



tioned how a few dollars extra per week can help to stimulate the economy, but experts say “a little goes a long way” and claim that making more frequent pur-

chases in your local restaurants and retail shops can provide additional cash flow needed to help businesses. The new administration chose this method of “reimbursement” over a stimulus check from the government because “...most people didn’t spend the check they received last year. They saved it—which did little to boost the economy.”

- A new higher education tax credit of up to \$2,500 for your first \$4,000 in higher education expenses. The

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REMINDER—DROP OFF YOUR 2008 INDIVIDUAL TAX INFORMATION!

Please call our office as soon as possible to schedule your tax appointment or drop off your tax information as soon as you receive all of your tax statements.

If we do not receive your tax information by March 15, 2009, we may need to file an extension. You must write, fax or email our office if you want us to file an extension for you. Please keep in mind the extension is good for late filing penalty only. Late payment penalties and interest charges will be assessed if monies are owed with the tax returns.

Please remember, you must complete a 2008 Individual Checklist, Schedule C Checklist (if applicable) and a Vehicle Information Questionnaire (if applicable) to include with your tax information. These items, along with other important tax information, can be downloaded from our website by clicking [here](#), or by contacting our office.

Waiving 2009 IRA payout requirements



Just before the New Year, President Bush signed a bill suspending the mandatory withdrawal rules for IRAs in 2009. Here are the answers to some commonly asked questions regarding this bill:

Do I have to make up the waived 2009 distribution the following year?

No, you will not have to add any skipped payout to what you have to withdraw for 2010. Your 2010 payout will be based on your age then and your Dec. 31, 2009 balance.

What if I hit 70½ in 2008 and delayed a payout to 2009?

You must still take it by April 1, 2009. That's because the distribution you deferred is for the 2008 tax year. You can skip the withdrawal for '09, so you won't have to take two payouts this year.

Will I qualify for the same relief if I inherited an IRA?

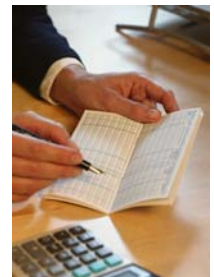
Yes. Inherited accounts are eligible for the same break, so heirs needn't take withdrawals from them in 2009. A similar rule applies to heirs stuck with the mandatory five-year payout period, such as when an estate is named as the beneficiary of a plan or IRA. In that case, the five-year period is determined without regard to 2009. So if an IRA owner died in 2007, heirs used to have until the end of 2012 to clean out the IRA. Now, the heir has until December 31, 2013 to do so. And if an inherited IRA had to be fully distributed by the end of 2009, the heir receives an additional year to withdraw all the funds.

Is my withdrawal still waived if my IRA balance increase in 2008?

Yes. Even though the reason Congress decided not to require withdrawals for this year was to avoid making people take funds from depleted accounts, the waiver isn't tied to account performance.

Source: *The Kiplinger Tax Letter*, Jan. 9, 2009

“Inherited accounts are eligible for the same break, so heirs needn't take withdrawals from them in 2009.”



Stimulus Plan Details (cont'd)

(Continued from page 1)

- credit phases out if an individual makes more than \$80,000 (\$160,000 for joint filers). In 2009-2010 only, taxpayers can also use 529 plan funds for computer-related expenses, including software and online access.
- A new above-the-line deduction for state and local sales and excise tax you pay on a new (but not used) car, light truck, RV or motorcycle bought between January 1 and November 30, 2009. The deduction is limited to purchases up to \$49,500 and phases out if an individual's adjusted gross income (AGI) exceeds \$125,000 (\$250,000 for joint filers).
- An enhanced “first-time homebuyer” credit (now \$8,000) for purchases through November 30, 2009—with no requirement to repay the credit for homes purchased in 2009, unless the home is sold within three years. This credit phases out if your AGI tops \$75,000 (\$150,000 jointly).
- The act extends the current \$250,000 first-year expensing limit and 50% bonus depreciation provisions for purchases through 2009.
- If you are unemployed and have not already received an extension on your benefits, the new package provides up to 33 weeks of extended benefits to workers who have exhausted their regular 26 weeks of benefits, depending on an individual state's jobless rate. Food stamps will also rise 13 percent.
- Health care coverage after you lost your job can typically be extended through COBRA. Under the stimulus plan, the government will cover 65 percent of the total cost of your health insurance premiums for a total of

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March 2009 Office Hours



EMMAUS HOURS

Monday: 9 AM – 6 PM
 Tuesday – Thursday:
 8 AM – 6 PM
 Friday: 8 AM – 5 PM
 Saturday: 9 AM – Noon
*Closed daily for lunch
 from 12 – 1 PM*

BETHLEHEM HOURS

Monday: CLOSED
 Tuesday – Friday:
 9 AM – 5 PM
*Closed daily for lunch
 from 12 – 1 PM*



Reporting Tax Avoidance

The Internal Revenue Service is being flooded with tax avoidance leads from whistle blowers. In 2006, Congress changed the law to allow much higher payments to taxpayers who provide information to the Service about tax avoidance of over \$2 million. The maximum reward is 30% of the extra tax recovered. Many of the recent claims for awards are coming from corporate employees who know of tax hanky-panky. The IRS has new rules for handling these claims, including how to keep the identity of the informant secret. Click [here](#) for the full details.

Source: *The Kiplinger Tax Letter: January 23, 2009*

“The maximum reward is 30% of the extra tax recovered.”

Tax Liability for Gambling Winnings and Losses

Casual gamblers must net their winnings or losses on a daily basis when figuring their tax liability, the IRS privately says to a slots bettor who made 10 trips to a casino during the year. She was in the hole on seven days, losing a grand total of \$610. She had net winnings of \$350 on the other three days. She must report the \$350 as income and can claim \$350 as an itemized deduction. If she doesn't itemize, she cannot deduct any of her wagering losses. In either case, she cannot deduct any part of her \$260 net loss from playing the one-armed bandits.

Source: *The Kiplinger Tax Letter: January 23, 2009*



Your journey to success starts here!



Something for everyone...

If you find mistakes in this publication, please consider that they are there for a purpose. We try to publish something for everyone, and some people are always looking for mistakes!

Our Team Commitments To You

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- TO IMPACT your quality of life;
- TO PROMISE confidentiality to you and your information;
- TO BE your best investment;
- TO RESPECT that your perception is always the reality;
- TO KEEP our pencils sharp;
- TO HONOR our commitments to you absolutely.



Stimulus Plan Details (cont'd)

(Continued from page 2)

nine months, if you lose or have lost your job between September 1, 2008 and the end of this year.

- Recipients of Social Security, Supplemental Security Income, railroad retirement benefits and veterans disability compensation or pension benefits will receive a one-time payment of \$250.

With so much new legislation in the news lately, some taxpayers are confused about the difference between the stimulus plan and the bailout. Here's some insight: "The stimulus is a package of spending initiatives, investments in infrastructure, energy production, and education, and tax cuts, all designed to create jobs and leave people with (slightly) more money. The bailout...now labeled the Financial Stability Plan, is a program through which the government is attempting to keep banks and other financial institutions stable by lending them capital and by helping to eliminate bad debts resulting from the collapse of the housing market. The goal there is to make credit more available for individuals and small businesses."

For more information on the details of the American Recovery and Reinvestment Act, log onto www.recovery.gov. This website, established by the White House, allows you to read the Act in full and get breakdowns on how funding is being allocated throughout the bill.

Sources: "The Morning Call", February 18th, 2009; www.recovery.gov; TaxCoach Client Alert, February 18th, 2009