

2009 Year End Tax Briefing - Top 10 Planning Ideas

- 1) If you took a required minimum distribution from your retirement plan or IRA during 2009, the general deadline to roll it over is November 30, 2009 (may be later depending on when you received the distribution). Discuss putting this amount into your retirement account with your financial advisor as soon as possible to avoid taxation on the distribution.
- 2) Purchase of new car and depreciable property (computers, office furniture, etc.) for business use by December 31, 2009 – the 2009 increased deductions will expire at year-end, plus the fourth quarter limitation doesn't apply to purchases made only during 2009.
- 3) Non-itemizers: if you buy a new vehicle for personal use, you may be able to claim a partial sales tax deduction. Ditto for a portion of the real estate taxes you pay before year end (up to \$1,000). The qualified vehicle sales tax deduction generally isn't an add back for AMT purposes.
- 4) Speaking of the sales tax deduction – this deduction is once again scheduled to expire at the end of 2009, so consider accelerating big ticket purchases before the end of the year (if you're not in AMT).
- 5) Tax-free distributions from IRAs to public charities (you must be 70 1/2 to use this break).
- 6) For personal residences, energy saving improvements (extra insulation, energy saving windows, solar electric panels, solar hot water heaters, etc.) may qualify for a tax credit.
- 7) First time homebuyer's credit – If you or your children are thinking about purchasing a new home, please let me know and we can discuss the qualifications...the credit is not available if you purchase a home from a parent, grandparent or child, but with low interest rates, intra-family loans are a great way to help finance the purchase of a new home. This credit has been extended through the end of April 2010.
- 8) Converting your traditional IRA or qualified plan to a Roth IRA beginning in 2010 – we've developed extensive software to help you determine whether it makes sense for you to incur the income tax now in order to convert your retirement account to a tax-free income stream in the future for you or your heirs.
- 9) Increase in income tax rates may be coming – consider accelerating ordinary or cap gain income (unusual advice, but given the expiration of the 15% qualified dividend and long term cap gain rate and the marginal rate of 34.9% at the end of 2010, or possibly before then, it may make sense).
- 10) Finalize your estate plan – many experts believe the discounts on closely held businesses and family limited partnership will be eliminated, as well as GRATs which have zero or minimal gift tax consequences. Take advantage of these planning strategies while values and interest rates are still relatively low.