



CSEA
Enrolled Agents – “The” Tax Professionals
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Annual Tax Newsletter

WHAT YOU NEED TO KNOW BEFORE FILING YOUR 2009 TAXES

“When you don’t fully understand tax laws, you may pay too much or risk an audit!”

Every year brings new and revised tax regulations, including deductions and credits to which you may be entitled. Unless you’re a professional tax practitioner, how can you be sure you’re receiving maximum benefit and fairness from the U.S. Tax Code? Depending on your personal situation, you could benefit from professional expertise.

EAs...

- advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts and other entities;
- have strenuous requirements, both to obtain enrollment and to maintain the license through stringent, comprehensive tax education;
- are respected as “The Tax Professionals”!

BIG CHANGES IN 2009 FOR INDIVIDUALS COURTESY OF THE AMERICAN RECOVERY & REINVESTMENT ACT

Your tax professional, a proud Member of the California Society of Enrolled Agents, is sending this to you as notification of several key tax changes this year resulting from the American Recovery and Reinvestment Act of 2009.

Many of the Act’s provisions are temporary and apply only to 2009 (or in some cases 2009 and 2010).

Here are just a few of the changes you’ll need to know about when filing your taxes.

Stimulus Payment: In past years, stimulus payments were issued directly to individuals; this year, the “New Making Work Pay” credit (up to \$400 for individuals or \$800 for joint filers) is reflected in your withholding. Your employer should have made the correction and you should be bringing home a little more of your pay. The Making Work Pay credit is reduced for those who received the \$250 check for Social Security recipients. Several other caveats apply, and if you have multiple jobs you need to consider adjusting your withholding accordingly. If you’re self-employed, you can receive the credit by reducing your estimated tax payments. In either case, your tax professional can help.

First-Time Homebuyer Credit: If you are a qualified first-time homebuyer, you could be eligible for a refundable tax credit equal to 10% of the purchase price or \$8,000, whichever is less. The Credit applies to purchases made through November 2009. “First-time homebuyer” doesn’t mean you couldn’t have previously owned a home; your Enrolled Agent can help determine if you qualify.

Sales Tax Deduction for Vehicle Purchase: If you purchase a new car, light truck, motorcycle, or even a motor home between February 16, 2009 and January 1, 2010, you could be eligible for a deduction of the tax up to \$49,500 of the purchase price of a qualifying vehicle. The deduction is phased out for when adjusted gross income (AGI) thresholds are reached. The vehicle sales tax can be added to the standard deduction or claimed on

Schedule A, and may be claimed in addition to the state and local income tax. Your EA can explain.

Education Credits & Deductions: The Act has created a new “American Opportunity” credit of up to \$2,500 of the cost of tuition and related expenses paid during the tax year for qualifying higher education; this credit applies to both 2009 and 2010. Again, the credit is phased out for higher-income taxpayers based on AGI. See your EA for specific details.

Alternative Minimum Tax Relief: The infamous AMT was created to ensure that the wealthy pay their share of taxes, but over the years its nefarious grip has spread to many middle-class taxpayers as well. The “alternative” part of the tax calls on taxpayers to figure their taxes two ways, and pay the AMT if the amount is greater than that owed under regular tax requirements. This year, the Act increased exemption amounts and now allows nonrefundable credits to offset AMT (as they offset regular taxes).

Tax Breaks for the Unemployed. Unemployment compensation benefits are usually taxable; in 2009, however, an individual doesn’t pay tax on the first \$2,400 of unemployment benefits received for the year. The Act also includes a subsidy for COBRA and other health-care premiums for terminated employees and their families.

Other Credits, Deductions: The Act also creates or makes key changes to other credits, including the Earned Income Credit (EIC), the refundable child credit, and “green” credits for employee-provided transit/carpooling benefits and use of alternative energy, plus a credit of up to \$1,500 for energy efficient home improvements.

Your Enrolled Agent can assist you in ensuring that you do not pay too much and help you minimize your risk of an audit. EAs are federally-licensed tax professionals who are required to demonstrate and maintain a high level of expertise in tax planning, preparation, and representation. **Members of the California Society of Enrolled Agents are required to fulfill 20% more education than required by the IRS, and to adhere to a strict code of ethics.**

2009 CALIFORNIA TAX RATES AND EXEMPTIONS

The rate of inflation in California, for the period from July 1, 2008 through June 30, 2009, was -1.5%. The 2009 personal income tax brackets are indexed by this amount.

Corporate tax rates

Entity type	Tax rate
Corporations other than banks and financials	8.84%
Banks and financials	10.84%
Alternative Minimum Tax (AMT) rate	6.65%
S Corporation rate	1.5%
S Corporation bank and financial rate	3.5%

Individual tax rates

- The maximum rate for individuals is 9.55%
- The AMT rate for individuals is 7.25%
- The Mental Health Services Tax Rate is 1% for taxable income in excess of \$1,000,000.

Exemption credits

Filing Status/Qualification	Exemption amount
Married/Registered Domestic Partner (RDP) filing jointly or qualifying widow(er)	\$196
Single, married/RDP filing separately, or head of household	\$98
Dependent	\$98
Blind	\$98
Age 65 or older	\$98

Phaseout of exemption credits

Higher-income taxpayers' exemption credits are reduced as follows:

Filing status	Reduce each credit by:	For each:	Federal AGI exceeds:
Single	\$6	\$2,500	\$160,739
Married/RDP filing separately	\$6	\$1,250	\$160,739
Head of household	\$6	\$2,500	\$241,113
Married/RDP filing jointly	\$12	\$2,500	\$321,483
Qualifying widow(er)	\$12	\$2,500	\$321,483

When applying the phaseout amount, apply the \$6/\$12 amount to each exemption credit, but do not reduce the credit below zero. If a personal exemption credit is less than the phaseout amount, do not apply the excess against a dependent exemption credit.

Standard deductions

The standard deduction amounts for:

Filing status	Deduction amount
Single or married/RDP filing separately	\$3,637
Married/RDP filing jointly, head of household, or qualifying widow(er)	\$7,274
The minimum standard deduction for dependents	\$950

Reduction in itemized deductions

Itemized deductions must be reduced by the lesser of 6% of the excess of the taxpayer's federal AGI over the threshold amount or 80% of the amount of itemized deductions otherwise allowed for the taxable year.

Filing status	AGI threshold
Single or married/RDP filing separately	\$160,739
Head of household	\$241,113
Married/RDP filing jointly or qualifying widow(er)	\$321,483

Nonrefundable Renter's credit

This nonrefundable, non-carryover credit for renters is available for:

1. Single or married/RDP filing separately with a California AGI of \$34,412 or less.
 - » The credit is \$60.
2. Married/RDP filing jointly, head of household, or qualifying widow(er) with a California AGI of \$68,824 or less.
 - » The credit is \$120.

Miscellaneous credits

1. Qualified senior head of household credit

- » 2% of California taxable income
- » Maximum California AGI of \$62,874
- » Maximum credit of \$1,185

2. Joint custody head of household credit/dependent parent credit

- » 30% of net tax
- » Maximum credit of \$387

AMT exemption

Filing status	Amount
Married/RDP filing jointly or qualifying widow(er)	\$78,817
Single or head of household	\$59,114
Married/RDP filing separately, estates, or trusts	\$39,407

AMT exemption phaseout

Filing status	Amount
Married/RDP filing jointly or qualifying widow(er)	\$295,564
Single or head of household	\$221,674
Married/RDP filing separately, estates, or trusts	\$147,781

FTB cost recovery fees

Fee type	Fee
Bank and corporation filing enforcement fee	\$188
Bank and corporation collection fee	\$413
Personal income tax filing enforcement fee	\$113
Personal income tax collection fee	\$217

The personal income tax fees apply to individuals and partnerships, as well as limited liability companies that are classified as partnerships. The bank and corporation fees apply to banks and corporations, as well as limited liability companies that are classified as corporations. Interest does not accrue on these cost recovery fees.

2009 California Tax Rate Schedules

Schedule X — Single or married/RDP filing separately

If the taxable income is				
Over	But not over	Tax is		Of amount over
\$0	\$7,060	\$0.00	Plus 1.25%	\$0
\$7,060	\$16,739	\$88.25	Plus 2.25%	\$7,060
\$16,739	\$26,419	\$306.03	Plus 4.25%	\$16,739
\$26,419	\$36,675	\$717.43	Plus 6.25%	\$26,419
\$36,675	\$46,349	\$1,358.43	Plus 8.25%	\$36,675
\$46,349	And over	\$2,156.54	Plus 9.55%	\$46,349

Schedule Y — Married/RDP filing jointly, or qualifying widow(er)

with dependent child

If the taxable income is				
Over	But not over	Tax is		Of amount over
\$0	\$14,120	\$0.00	Plus 1.25%	\$0
\$14,120	\$33,478	\$176.50	Plus 2.25%	\$14,120
\$33,478	\$52,838	\$612.06	Plus 4.25%	\$33,478
\$52,838	\$73,350	\$1,434.86	Plus 6.25%	\$52,838
\$73,350	\$92,698	\$2,716.86	Plus 8.25%	\$73,350
\$92,698	And over	\$4,313.07	Plus 9.55%	\$92,698

Schedule Z — Head of household

If the taxable income is				
Over	But not over	Tax is		Of amount over
\$0	\$14,130	\$0.00	Plus 1.25%	\$0
\$14,130	\$33,479	\$176.63	Plus 2.25%	\$14,130
\$33,479	\$43,157	\$611.98	Plus 4.25%	\$33,479
\$43,157	\$53,412	\$1,023.30	Plus 6.25%	\$43,157
\$53,412	\$63,089	\$1,664.24	Plus 8.25%	\$53,412
\$63,089	And over	\$2,462.59	Plus 9.55%	\$63,089



This Newsletter was provided as a courtesy to the clients and friends of a proud Member of:
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Individual Filing Requirements

If your gross income or adjusted gross income is more than the amount shown in the chart below for your filing status, age, and number of dependents, then you have a filing requirement.

Filing Status	Age as of December 31, 2009*	California Gross Income			California Adjusted Gross Income		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or head of household	Under 65	14,622	17,889	20,339	11,698	14,965	17,415
	65 or older	19,522	21,972	23,932	16,598	19,048	21,008
Married/RDP filing jointly or separately	Under 65 (both spouses/RDPs)	29,245	32,512	34,962	23,396	26,663	29,113
	65 or older (one spouse)	34,145	36,595	38,555	28,296	30,746	32,706
	65 or older (both spouses/RDPs)	39,045	41,495	43,455	33,196	35,646	37,606
Qualifying widow(er)	Under 65	N/A	17,889	20,339	N/A	14,965	17,415
	65 or older	N/A	21,972	23,932	N/A	19,048	21,008
Dependent of another person (Any filing status)	Under 65	More than your standard deduction					
	65 or older	More than your standard deduction					

* If you turn 65 on January 1, 2010, you are considered to be age 65 at the end of 2009.

ENROLLED AGENTS: *THE* TAX PROFESSIONALS

Why is it important that my tax professional be a Member of the California Society of Enrolled Agents (CSEA)?

Enrolled Agents (EAs) are licensed by the federal government and authorized to represent taxpayers before the Internal Revenue Service. The Enrolled Agent profession dates back to 1884, when representatives were licensed and regulated to help U.S. citizens with Civil War claims.

EAs advise, represent and prepare tax returns for individuals, partnerships, corporations, estates, trusts and any entities with tax-reporting requirements. They are required to complete 72 hours of continuing professional education, reported every three years, to maintain their EA license. **CSEA Members, however must complete 20% more education – a full 90 hours every three years.**

The strenuous requirements to become an EA ensure that only the top tax professionals earn the designation. Because of the difficulty in becoming an Enrolled Agent and keeping up the required credentials, it's estimated that there are only about 45,000 EAs worldwide. That's why they are "*The* Tax Professionals"!

How can I be sure my tax professional belongs to the California Society of Enrolled Agents?

Because of the more stringent education and ethics requirements of our Members, you want to be sure that your tax professional belongs to the California Society of Enrolled Agents. Call toll-free 1-800/777-2732 to ensure that you've got a Member, Affiliate, or Associate working for you as *The* Tax Professional!

2009 TAX PREPARATION CHECKLIST

Here's a basic checklist of information to start organizing for your 2009 tax return. If you're fully prepared for your tax appointment with your tax professional, you'll save time and help ensure that you receive all the tax benefits, credits and deductions allowable. Although this is not an all-inclusive list, it will help steer you in the right direction. As you begin receiving all the important tax documents at the beginning of 2010, file them with this checklist.

- Copy of your 2008 tax return (unless your EA has a copy)
- Notices or correspondence received from the Internal Revenue Service or your state tax agency
- Social Security number and date of birth for yourself, spouse and dependents
- Amount of any alimony paid and ex-spouse's Social Security number
- Childcare records (including provider's name, address and ID number)
- Form 8332 (Release of Claim to Exemption for Child of Divorced or Separated Parents), copies of your divorce decree, or other documents proving your right to claim a child living with your ex-spouse
- Receipts for tuition expenses as well as scholarships and fellowships received for post-high school education and Form 1098-T (Tuition Statement)
- Detail of adoption costs, Retirement Plan contributions, student loan interest, moving expenses, self-employed health insurance, long-term care insurance, alimony paid, educator expenses, etc.
- Forms W-2 for all employers for whom you and your spouse worked during the year
- Savings and Investment forms received (1099-INT, 1099-OID, 1099-DIV, 1099-R, 1099-B, 1099-S, Schedule(s) K-1)
- Dates of acquisition and records of your cost or other basis in property you sold
- Record of other income received from, but not limited to unemployment, state tax refund, gambling income and losses, alimony received, jury duty, hobby income and expenses, prizes and awards, healthcare reimbursement, Social Security benefits, etc.
- Business, Farming or Rental Income Information
 - » Books/accounting records for your business, including all income and expenses
 - » Record of all major purchases such as machinery, equipment, and furniture
 - » Logs or other records listing vehicle mileage
 - » Inventory records (if your business maintains an inventory of goods or material)
 - » If you use your home for business, provide square footage of your home office area and total square footage of your home. Include expenses to be claimed such as rent, utilities, insurance, repairs and maintenance, mortgage interest, property tax, etc.
- Itemized Tax Deductions
 - » Medical expenses, including medical mileage
 - » Forms 1098 or other mortgage statements. Closing statement if you purchased or refinanced
 - » Amount of state/local income tax paid (not withheld)
 - » Real estate and personal property tax records
 - » Cash amounts donated to qualifying charities
 - » Records of non-cash charitable donations, as well as mileage driven for charitable purposes
 - » Expenses related to your investments. Detail of thefts or losses
 - » Employment-related expenses not reimbursed by your employer
 - » Amount paid for preparation of your 2006 tax return and job-hunting expenses