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2009 Tax Season Newsletter

DON'T FORGET THE CD. Not the bank or credit union certificate of deposit, but your income tax computer compact disk (CD). If we have given you a CD copy of your tax returns, bring it in with this year's tax documents and we'll add your 2008 return to the disk. You will still get your paper copy.

SOCIAL SECURITY RECIPIENTS GET 5.8% RAISE. This is the biggest increase in 25 years and will increase the typical retiree's check by \$63.

www.barkerbusiness.com. Check out our webpage. There is information for both individuals and businesses as well as links to IRS, Maine Revenue, many other sites, and even free software.

ORGANIZE NOW. If you would like us to send you a tax organizer to help you get ready for tax time, call us at 794-8563 or email taxman2@barkerbusiness.com.

PROPERTY TAXES are deductible this year (within certain limitations) even if you do not itemize. Bring a record of all property taxes paid to your tax appointment.

The **STIMULUS TAX REBATE CHECK** received in 2008 was actually a tax credit for 2008 income tax due by April 15, 2009. The amount of rebate received must be reported on the 2008 return in order for the IRS to correct and issue a larger rebate/credit if the taxpayer is entitled to more. The IRS will not make the rebate amount smaller.

FIRST-TIME HOME BUYERS CREDIT. A credit of \$7,500 is available to qualifying homebuyers. It is really an interest free loan where the qualifying home buyer receives an extra \$7,500 added to the 2008 income tax refund, and pays it back by having the refund reduced by \$500 per year over 15 years starting with the 2010 tax return. It's hard to beat a \$7,500 loan with a fifteen year payback and no interest!

BUSINESS USE OF AUTOS does require a written record be kept to substantiate such use. A record showing the date, purpose and miles driven for each business trip as well as the January 1st and December 31st odometer reading is the minimum information required. If actual expenses are being deducted, all auto expense records are required in addition to the business use record. If standard mileage is used instead of actual expense, there are two rates for 2008. 50.5 cents per mile for Jan – Jun and 58.5 for Jul through Dec. Total up business mileage into two totals, one for each period. Commuting back and forth to a regular place of employment is not business use. Making a delivery or a supply run are examples of business use.

TAX FRAUD HOTLINE. If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by calling 1-800-829-0433.

CHARITABLE CONTRIBUTIONS. A record in the form of a cancelled check or written receipt or letter from the charity showing the name of the charity, date of contribution and the amount is required for ALL charitable contributions made on or after January 1, 2007.

PERSONAL & BUSINESS INCOME TAX RETURNS, PAYROLL PROCESSING & PAYROLL TAX RETURNS, SALES TAX RETURNS, ACCOUNTING & BOOKKEEPING, INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)*, MUTUAL FUNDS*, COLLEGE 529 PLANS*

*Securities offered through H.D. Vest Investment Services SM, A non-bank subsidiary of Wells Fargo & Company, Member: SIPC, 6333 North State Highway 161, Fourth Floor, Irving, TX 75038, (972) 870-6000

CAPITAL GAINS will be taxed by the IRS at 0% for taxpayers in the 10% and 15% tax brackets, and 15% for all others in tax years 2008-2010. The gain itself may put you in a higher tax bracket on your other income while part of the gain is taxed at 0% and part at 15%. Maine taxes capital gains as regular income with a top rate of 8.5%.

SALES TAX ITEMIZED DEDUCTION. If you are able to itemize your deductions this year, the larger of state income tax withheld and paid or state sales tax paid may be deducted. The basic sales tax deduction is calculated, and then sales tax paid on motor vehicles, aircrafts, boats, homes or home building materials is added. If you bought a motor vehicle or other listed item in 2008, provide us with the amount of sales tax paid when you come to your tax appointment. Do not include sales tax paid for business equipment or property.

WIN \$100. Last year's winner of our drawing was Al & Donna Longo of Springfield. This year all completed 2008 income tax return clients will be entered and the \$100 winner will be drawn at 5 pm on April 15, 2009.

IRA: Still a Good Deal for the Long-Term Investor? In 1974 the Individual Retirement Account was introduced as a retirement savings tool. Over the years contribution limits have increased. An IRA can provide a powerful method for potential wealth accumulation regardless of whether it provides an immediate tax benefit. Tax deferral can be a powerful ally in building as much money as possible for retirement.

In 2008 the contribution is \$5,000 for individuals 49 and younger and \$6,000 for those age 50 and older.

With limits continuing to grow, establishing an IRA and regularly contributing can be smart for the future. A larger sum that is invested with a longer time horizon allows for the potential of more growth. The principal, or original investment, can earn interest. That interest can earn interest. An IRA can provide a powerful method for potential wealth accumulation regardless of whether it provides an immediate tax benefit.

Two of the most common types of IRAs are the Traditional and the Roth. When choosing which type works best for you, consider whether you would like to defer taxes now or later. Traditional IRAs may offer tax deductions now while

distributions are taxed upon withdrawals. Annual contributions to a Roth IRA are not tax-deductible, but qualified distributions are tax-free.

The Traditional IRA is an individual retirement savings arrangement funded with deductible and/or nondeductible contributions based on your earned income. Deductibility is dependent on income and participation in an employer-sponsored qualified retirement plan. Once an individual reaches age 70 ½, contributions cannot be made to an IRA account. This plan is best suited for individuals wishing to save for retirement on a tax-deferred basis or for clients in high tax brackets needing a deduction.

A Roth IRA is an individual retirement savings arrangement whereby an individual makes nondeductible contributions based on his or her earned income. Annual contributions are not tax-deductible, but qualified distributions are tax-free. The individual does not have to be younger than age 70 ½ to make contributions. Even without that up-front tax deduction, however, the Roth IRA is an excellent choice for long-term investing. This is because the IRA provides for tax-deferred growth of all dollars invested.

Contact Bruce A. Barker Jr. about your retirement plans and how an IRA could benefit you or about college savings (529) plans, mutual funds and rollover IRAs.

Investments are subject to market risks including the potential for loss of principal invested. Withdrawals for non-qualified individuals are subject to a 10% IRS tax penalty and are taxed as ordinary income.

Bruce A. Barker Jr. is a Registered Representative of H.D. Vest Investment ServicesSM. Based in Texas, H.D. Vest provides financial services, including full-service brokerage, insurance, and estate and retirement planning. For information, call 207-794-8563.

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