

29 Lee Road
Lincoln, ME 04457
207-794-8563, 800-501-8563
Fax 207-794-2814
www.barkerbusiness.com



Bruce A. Barker, EA
taxman@barkerbusiness.com

Bruce A. Barker Jr.
taxman2@barkerbusiness.com

2010 Tax Season Newsletter

IN ORDER TO STAY CURRENT and better serve our clients, we attend many hours of tax training each year. This year, this training consisted of a one day Tax Practitioner Institute, a two day National Association of Tax Professionals (NATP) 1040 Workshop, a half day NATP tax seminar, a two day Maine Tax Forum, a two day Maine Association of Professional Accountants "Gear Up" tax seminar, and a one day Maine Revenue payroll tax forum as well as many telephone forums and webinars hosted by various agencies and associations throughout the year. These training events cover many facets of federal and Maine tax law as well as current changes.

WE ARE MEMBERS of the National Association of Tax Professionals (and ME chapter), National Society of Tax Professionals, National Association of Enrolled Agents (and ME chapter), National Society of Accountants (and ME chapter), National Institute of Professional Bookkeepers, National Association for the Self Employed, Informed Notaries of Maine, Lincoln Lakes Region Chamber of Commerce, Lincoln Referral Group and we're a business member/supporter of the Lincoln Snowhounds snowmobile club.

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 the IRS at 1-800-829-0433 or report on Form 3949-A (available at irs.gov). File Form 211 to receive a reward if applicable. Maine tax violations can be reported by calling 207-624-9600. The caller can remain anonymous.

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.

A SALES TAX DEDUCTION is available for a new car, motorcycle or motorhome purchased from Feb 17 to Dec 31 2009. This deduction is available even if you do not itemize.

HOME BUYERS CREDIT. A credit of up to \$8,000 is available to qualifying 2009 and 2010 homebuyers. The home must be purchased before May 1, 2010 unless a binding contract is signed before May 1, 2010 which extends the limit to June 30, 2010. A copy of the buyer's closing statement must be attached to the tax return.

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. The standard mileage rate for 2009 is \$0.55 per mile. 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. Providing us copies of all business vehicle registrations would be helpful.

DID YOU KNOW? If you pay someone to prepare your income tax returns he or she must sign the filed copy as the preparer and provide you with a copy. The tax return should not say self-prepared if a paid preparer was used. Your copy may be paper or electronic, whichever you both agree upon.

IRS REFUNDS FOR 2006 tax returns that were never filed or were incorrect can still be claimed by filing a return or an amendment before 4/15/2010. 2007 and 2008 returns have until 2011 and 2012 to be filed to claim a refund.

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

NET OPERATING LOSSES (NOLs) will not be allowed by the State of Maine for tax years 2009-2011. If you have an NOL from previous years being carried forward to reduce current income, it will only reduce income for federal purposes. The disallowed NOLs will be carried forward until 2012 when Maine Revenue says they will be allowed to start to be taken. The rules are not finalized for that yet.

FROM THE IRS: The IRS promises to get more aggressive, with small business and self employed being among the targets. 1120S corps with income and no officer wages paid will also be a focus group, as well as worker misclassification (independent contractor who should be employee). In addition to income tax audits, 6000 employment tax audits will be taking place. This is a never-been-done-before in depth audit looking for non compliance with payroll taxes. The income tax audit level is the highest since 1988 and is taking place in order to address non-reporting of income. The first thing they will check is if the owner's family spending plus business expenses approximate the business' gross receipts. If those two numbers are not close they will be asking why.

The IRS has sent out many CP2000 notices with penalties that are or may be incorrect. Let us know if you receive any notices or correspondence from the IRS or Maine Revenue Services related to your income taxes.

The IRS will be targeting tax preparers who "push the envelope" with their clients. The IRS is looking at tax preparers, choose yours wisely.

WE PROVIDE PAYROLL SERVICES. You give us your employee hours worked each period and we'll prepare their paycheck, direct deposit, or detailed stubs that you can attach your own check to. We can accommodate all calculations and deductions such as tips, child support and retirement plan withholding, and vacation and sick time accrual. We prepare all quarterly and year-end payroll tax returns as well as 1099 forms for payments to independent contractors.

THE HOPE CREDIT FOR EDUCATION has been renamed The American Opportunity Credit and is being expanded for 2009 and 2010. It will cover four years of education instead of only the first two. The maximum credit has been increased to \$2500. Required course materials such as books, supplies and equipment now qualify towards this credit.

THE OPPORTUNITY MAINE PROGRAM provides a state income tax credit for student loan payments made by degree earners who live, work and pay taxes in Maine following graduation. Alternatively, the tax credit would be available to Maine businesses that make their employees' educational loan payments. Learn more about this program and sign up for it at your school's financial aid office. www.opportunitymaine.org

AN ENERGY EFFICIENCY TAX CREDIT of up to \$1500 is available for certain residential energy efficiency related improvements. This credit is not reduced by the \$500 residential energy credit that was available for 2006 and 2007. If you purchased qualifying windows, doors, insulation, roofing, heating or air conditioning equipment, water heaters or biomass stoves you may qualify for this credit. www.energystar.gov

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 into a higher tax bracket on your other income causing part of the gain to be taxed at 0% and part at 15%. Maine taxes capital gains as regular income.

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.

WIN \$100. Last year's winner of our drawing was Michael Astle of Greenbush. This year all completed 2009 income tax return clients will be entered and the \$100 winner will be drawn at 5 pm on April 15, 2010.