



## 2009 Year End Tax Planning Checklist

- Flexible Spending Accounts** - Increase the amount you set aside for next year in your employer's health flexible spending account if you set aside too little for this year. Don't forget you can set aside amounts to get tax-free reimbursements for over-the-counter drugs, such as aspirin and antacids.
- Health Savings Accounts** - If you become eligible to make health savings account (HSA) contributions in December of this year, you can make a full year's worth of deductible HSA contributions for 2009.
- Stock Losses** - Realize losses on stock while substantially preserving your investment position. There are several ways this can be done. For example, you can sell the original holding, and then buy back the same securities at least 31 days later. It may be advisable for us to meet to discuss year-end trades you should consider making. Keep in mind that you have to allow a few days before December 31 to sell for a loss; capital losses must post/close before year-end, not just trade.
- Income and Expenses** - Postpone income until 2010 and accelerate deductions into 2009 to lower your 2009 tax bill. This strategy may enable you to claim larger deductions, credits, and other tax breaks for 2009 that are phased out over varying levels of adjusted gross income (AGI). These include IRA and Roth IRA contributions, conversions of regular IRAs to Roth IRAs, child credits, higher education tax credits, the above-the-line deduction for higher-education expenses, and deductions for student loan interest. Postponing income also is desirable for those taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances. Note, however, that in some cases, it may pay to actually accelerate income into 2009. For example, this may be the case where a person's marginal tax rate is much lower this year than it will be next year.
- Roth IRA** - If you believe a Roth IRA is better than a traditional IRA, and want to remain in the market for the long term, consider converting traditional-IRA money invested in beaten-down stocks (or mutual funds) into Roth IRAs if eligible to do so. Keep in mind, however, that such a conversion will increase your adjusted gross income for 2009. Planning tip: The adjusted gross income ceiling for converting traditional to Roth IRAs will be lifted in 2010, but the depressed value of your account might still make 2009 a better year for such conversions. We can help you determine whether a Roth or a traditional IRA is better for you personally.



- ❑ **Alternative Minimum Tax** - Estimate the effect of any year-end planning moves on the alternative minimum tax (AMT) for 2009, keeping in mind that many tax breaks allowed for purposes of calculating regular taxes are disallowed for AMT purposes. This includes the deduction for state and local property taxes on your residence, state income taxes (or state sales tax if you elect this deduction option), miscellaneous itemized deductions, and personal exemption deductions. Other deductions, such as for medical expenses, are calculated in a more restrictive way for AMT purposes than for regular tax purposes. As a result, in some cases, deductions should be deferred rather than accelerated to keep them from being lost because of the AMT.
- ❑ **Bonuses** - It may be advantageous to arrange with your employer to defer a bonus that may be coming your way until 2010.
- ❑ **Flow-through Entities** - If you own an interest in a partnership or S corporation you may need to increase your basis in the entity (contributing additional capital or advancing additional loans) so that you can deduct a loss from it this year.
- ❑ **Prepaid Expenses** - Consider using a credit card to prepay expenses that can generate deductions for this year.
- ❑ **Energy Tax Credits** - Substantial tax credits are available for installing energy generating equipment (such as solar electric panels or solar water heaters) to your home. The credit for installing qualified windows, doors, insulation, HVAC equipment, etc, that was available in 2007 but not in 2008 has been restored in 2009.
- ❑ **Hybrid Vehicles** - If you are thinking of buying a hybrid vehicle, check to see if it's eligible for the credit, and, if so, purchase it before year-end.
- ❑ **Business Property Expenses** - Businesses should consider making expenditures that qualify for the up to \$250,000 business property expensing option for assets bought and placed in service this year; the maximum expensing amount will drop to \$134,000 for assets bought and placed in service next year (higher expensing amounts apply to certain specialized assets). Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year. This bonus write-off generally won't be available next year (some exceptions apply, such as for certain property with a long production period and certain noncommercial aircraft).
- ❑ **Casualty Losses** - You may want to settle an insurance or damage claim in order to maximize your casualty loss deduction this year.
- ❑ **Increase Withholding or Pay Estimated Taxes** - If you expect to owe state and local income taxes when you file your return next year, ask your employer to increase withholding of state and local taxes (or pay estimated tax payments of state and local taxes) before year-end to pull the deduction of those taxes into 2009. Those facing a penalty for underpayment of federal estimated tax may be able to eliminate or reduce it by increasing their withholding. Be aware that the safe harbor provision for estimated taxes, generally based on 110% of total prior-year taxes in 2008, is based on a much lower 90% of total prior-year taxes for 2009. You will of course make up the difference in April 2010.



- ❑ **SEP** – If you are self-employed and haven't done so yet, set up a self-employed retirement plan.
- ❑ **Gifts** - You can save gift and estate taxes by making gifts sheltered by the annual gift tax exclusion before the end of the year. You can give up to \$13,000 each in 2009 to an unlimited number of individuals but you can't carry over unused exclusions from one year to the next.
- ❑ **Donating Vehicles** - If you're thinking of donating a used auto to charity, you may want to inquire whether the charity plans to sell the car or use it in its charitable activities; the latter may yield a bigger deduction for you. Remember that you'll need a letter from the charity telling you how much they sold the vehicle for, if they do sell it; relying on Blue Book value for your charitable contribution deduction is no longer permitted.



- ❑ **70 ½ and Giving Gifts** - If you are age 70 ½ or older, own IRAs (or Roth IRAs), and are thinking of making a charitable gift before year-end, consider arranging for the gift to be made directly by the IRA trustee. Such a transfer can achieve important tax savings. This provision (with a limit of \$100,000 per individual) expires after 2009. Keep in mind that the required minimum distribution from retirement plans for such individuals was suspended for 2009; that is, if you have not yet

taken your required distribution for 2009, you can skip this year without penalty.

- ❑ **Professional Dues & Subscriptions** - Consider extending your subscriptions to professional journals, paying union or professional dues, enrolling in (and paying tuition for) job-related courses, etc., to bunch into 2009 miscellaneous itemized deductions subject to the 2%-of-AGI floor.
- ❑ **Debt-cancellations, etc.** - Depending on your particular situation, you may want to consider deferring a debt-cancellation event until 2010, or disposing of a passive activity to allow you to deduct suspended losses.

**When It Comes To Taxes, We Are Here To Help!**

Contact an ECC Tax Adviser today to schedule a  
2009 tax planning meeting  
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**You'll Be Glad You Did!**