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Meet the Nohre Staff -
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The NOHRE REPORT

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TAX ACTS OF OCTOBER 3, 2008

Emergency Economic Stabilization, Energy Improvement and Extension, and Tax Extenders and Alternative Minimum Tax Relief

On October 3, 2008, Congress passed new legislation that contains many provisions that affect individuals and businesses. More than 30 tax breaks that either expired at the end of 2007 or are soon to expire have been extended by the Act. Highlights of the legislation are listed below:

Provisions Affecting Individuals

Bank and Credit Union Accounts: The Federal Deposit Insurance Act and the Federal Credit Union Act insurance coverage of \$100,000 has been increased to \$250,000 until December 31, 2009.

IRA Charitable Rollover: This popular charitable incentive expired at the end of 2007 but has been extended for 2008 and 2009. The provision allows individuals age 70-1/2 and older to donate up to \$100,000 from their individual retirement accounts (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income. This giving incentive is particularly beneficial to those individuals who do not itemize their tax deductions and would not otherwise receive any tax benefit for their charitable contributions.

Alternative Minimum Tax: To prevent the unintended result of having millions of middle-income taxpayers fall prey to the AMT, Congress has once again relied on a temporary "patch". This time it is a one-year extension of the 2007 exemption amounts, with a slight increase.

Under the new law, for tax years beginning in 2008, the AMT exemption amounts are increased to: (1) \$69,950 in the case of married individuals filing a joint return and surviving spouses; (2) \$46,200 in the case of unmarried individuals other than surviving spouses; and (3) \$34,975 in the case of married individuals filing a separate return.

Qualified Tuition Deduction: The tax deduction for qualified higher education expenses is extended through 2009.

Teacher Expense Deduction: The provision allowing teachers a deduction of up to \$250 for educational expenses is extended through 2009.

Real Estate Tax Deductions: For 2008 and extended through 2009, non-itemizers receive up to a \$500 (\$1,000 for a joint return) addition to their standard deduction for real property taxes.

Non-Business Energy Credit: Reinstated for 2009. Qualified energy efficiency improvements to the dwelling of a primary residence, qualified natural gas, propane, or oil furnace or hot water boiler, qualified heat pumps, water heaters, and central air conditioners may all apply.

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Plug-in Electric Drive Vehicle Credit: Consumers may claim a tax credit of \$2,500 to \$7,500 for the purchase of a plug-in electric car or light truck, depending on the capacity of the battery. The credit is available against the AMT. Phase out of the credit begins after the 250,000th plug-in electric vehicle has been sold.

Disaster Relief: Included in the new legislation is tax relief for victims of the storm and flood disaster in Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska and Wisconsin. Various tax advantages may apply to those affected. Contact us to discuss your situation.

Provisions Affecting Businesses

Energy Credits: Congress liberalized the definition of property that qualifies for the energy credit to encourage investment in alternative energy technologies. Property qualifying for the credit includes wind energy, solar energy, qualified fuel cell and microturbine property. The credit is generally for property placed in service after October 3, 2008.

Farmers: For any machinery or equipment used in a farming business, except grain bins, fences or land improvements, purchased and placed in service in calendar year 2009, the depreciable life is 5 years, not 7 years. To qualify, the original use of the equipment must be with the taxpayer after December 31, 2008.

Payroll: The additional 0.2% FUTA surtax is extended to apply through 2009.

Research and Development Credit: The research tax credit is extended through 2009. In addition, the alternative simplified credit is increased from 12% to 14% for the 2009 tax year, and the alternative incremental research credit is repealed for the 2009 tax year.

Bicycle Commuters: Employers are allowed to provide employees who commute to work by bicycle limited fringe benefits to offset the costs of such commuting (e.g., storage).

We hope this information is helpful. If you would like more details about these changes, or any other aspects of the new law, please contact your Account Manager.

PRESIDENT-ELECT OBAMA'S PROPOSED TAX PLAN

The fiscally responsible tax changes that President-Elect Obama is calling for include:

- **Ordinary Income:** The top two income tax brackets would return to their 1990's levels of 36% and 39.6%. All other tax brackets would remain as they are today. Obama would also restore the 1990's levels for the personal exemption and itemized deduction phaseouts (known as PEP and Pease). Obama would work with the Treasury Department to adjust the thresholds of these rates slightly to ensure that no married couple making less than \$250,000 (or single person making less than \$200,000) was affected by these changes.
- **Capital Gains:** Families with incomes below \$250,000 will continue to pay the capital gains rates that they pay today. For those in the top two income tax brackets – likewise adjusted to affect only families over \$250,000 – Obama will create a new top capital gains rate of 20 percent. Obama's 20 percent rate is equal to the lowest rate that existed in the 1990s and the rate that President Bush proposed in 2001. It is almost a third lower than the rate that President Reagan signed into law in 1986.
- **Dividends:** The top dividends rate for people making over \$250,000 would be set at 20 percent. Dividends will not return to being taxed at ordinary income tax rates. Obama's 20 percent rate dividends will be 39 percent lower than the rate President Bush proposed in 2001, and would be lower than all but 5 of the last 92 years we have been taxing dividends.
- **Estate Tax:** The estate would be effectively repealed for 99.7 percent of estates. For the remaining 0.3% of estates over \$7 million per couple, Obama will retain a rate of 45%. This policy would cut the number of estates covered by the tax by 84 percent relative to 2000.
- **Average Tax Rates Below the 1990s:** Overall, the top 1 percent of households – people with an average income of \$1.6 million per year – would see their average federal income and payroll tax rate increase from 21 percent today to 24 percent, less than the 25 percent of these households would have paid under the tax laws of the late 1990s.

This information was obtained from www.barackobama.com. Additional information is available on this site. If you have questions or would like additional information please contact your Account Manager at Nohre.

ONLINE SELLERS ALERT

On July 30, 2007, President Bush signed the "Housing Assistance Tax Act of 2008" into law. One provision of this law adds new reporting requirements for credit card issuers and electronic payment processors, such as PayPal.

Beginning in 2011, credit card issuers will be required to file a Form 1099 for merchants with gross sales of more than \$10,000 and more than 200 transactions in a given year. This includes sales made on Ebay and other similar online websites.

If you conduct online sales it is important that you report all income relating to these activities. Expenses relating to these activities may or may not be fully deductible depending on whether the activity is an active trade or business or a hobby. As a general rule the IRS has considered an activity a trade or business, rather than a hobby, if the taxpayer has had profits relating to the activity for three of the past five years. If you are frequently making online sales and intend on deducting business expenses it is recommended that you distinguish your business transactions from personal transactions. This might include setting up a separate bank account for this type of activity.

If you have any questions, please contact your Account Manager.

Bizarre Driving Laws Still on the Books Around the Country

Alabama - It is legal to drive the wrong way down a one-way street as long as a lantern is attached to the front of your car.

Alaska - It is illegal to tie a dog to the top of your car.

California - No unoccupied vehicle may exceed 60 miles per hour.

Florida - If an elephant is tied to a parking meter, the owner or attendant must deposit money in the meter.

Kentucky - It is considered unlawful to transport an ice cream cone in your back pocket.

Massachusetts - You will be ticketed if you drive with a gorilla in the backseat of your car.

Minnesota - It is illegal to cross state lines, regardless if you are walking or driving, with a duck on your head. And, if you are crossing into Wisconsin, the law also applies to chickens.

New Jersey - If convicted of driving while intoxicated, you permanently lose the option of registering for a vanity license plate.

Oregon - You will be ticketed if you leave your car door open longer than is deemed necessary.

West Virginia - It is perfectly legal, for road maintenance purposes, to scavenge road kill.

US TREASURY TO TEMPORARILY EXTEND INSURANCE COVERAGE TO MONEY MARKET ACCOUNTS

The US Treasury has announced it will insure money market accounts held by investors, 401(K) participants and pension plans which previously were not insured.

The amount insured is the balance in money market accounts as of September 19 and the guarantee will be for 90 days, at which time the US Treasury will reassess the need to continue to insure money market accounts.

Mutual fund sponsors must buy insurance from the government in order for the money market accounts to be insured. If a money market fund fails and the balance in any money market account is more than the balance on September 19, the excess over the insured amount will be subject to the reduction in liquidation of the money market fund.

MINNESOTA CONSTRUCTION CONTRACTORS

Beginning January 1, 2009, a construction contractor who makes payments to an individual construction contractor carrying on a trade or business as a sole proprietorship must deduct and withhold 2% of the payments(s) as Minnesota income tax withholding.

Payments are subject to 2% withholding only if the work was performed in the state of Minnesota and the total payments during the year exceed \$600.

You must register for a seven digit Minnesota tax ID number if you are required to withhold Minnesota tax.

You must issue a Form 1099-MISC to report payments of \$600 or more to an individual construction contractor.

For more information on the Minnesota income tax withholding contact your Nohre Account Manager.

2009 INFLATION ADJUSTMENTS WIDEN TAX BRACKETS AND EXPAND TAX BENEFITS

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2009. Key changes affecting 2009 returns, filed by most taxpayers in early 2010, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.
- The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$67,900, up from \$65,100 in 2008.
- The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$5,028, up from \$4,824. The income limit for the credit for joint return filers with two or more children is \$43,415, up from \$41,646.
- The annual gift exclusion rises to \$13,000, up from \$12,000 in 2008.

IRS ALERTS CONSUMERS OF SUSPICIOUS E-MAILS AND IDENTITY THEFT

The IRS wants you to know that they do not send taxpayers e-mails about their tax accounts.

Be on the alert for e-mails and phone calls claiming to be the IRS of a federal agency. The IRS says; “These are almost certainly a scam whose purpose is to obtain personal and financial information — such as name, Social Security number, bank account and credit card or even PIN numbers — from taxpayers which can be used by the scammers to commit identity theft.”

These fraud situations will direct you to a website where you are asked to disclose personal information — DON’T BE FOOLED — these sites may look official but certainly are not.

The IRS says that the way to get a tax refund or stimulus payment, or to arrange for a direct deposit, is to file a tax return.

For more information on consumer scams go to Suspicious e-Mails and Identity Theft at:
<http://www.irs.gov/newsroom/article/0,,id=155682,00.html>

NOHRE STAFF COMMUNITY DEVELOPMENT



Please join us in congratulating **Debbie Williams** for her recent appointment to the Eau Claire Children’s Theatre (ECCT) board.

We got a face-lift...

Check out our new Nohre website @ www.nohre.com

Use your account number to access the secure area where you will find our Nohre Directory and Library Resource area (under construction). Contact us with questions.

Meet the Nohre Staff

Lisa Geist, CPA

Please join us in welcoming the newest member of our team, *Lisa Geist, CPA*. Lisa comes to us with a wealth of expertise and specialization in construction and real estate including property management. We are excited to have her on our team. She will be a real asset, as a tax preparer, this upcoming tax season.

Employment

Lisa spent the first ten years of her accounting career in public accounting with a local CPA firm. She moved to the private sector working for a large property management and real estate company. Returning to the public sector after five years; Lisa now specializes in tax, construction and general services.

Education

- Lisa earned her Bachelor of Science in Business Management in 1982;
- her accounting degree in 1994 from UWEC;
- is a CPA; and
- a licensed real estate agent.

Areas of Expertise

- Tax Planning and Preparation
- Construction
- Year-End Financial Reporting
- Accounting Services
- General Business Consulting

Professional Organizations

- Realtors Association of Northwestern Wisconsin
- Eau Claire Chamber of Commerce

Hobbies

- Golf
- Racquetball
- Family



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The **NOHRE** **REPORT**

NEWSLETTER POLICY

This newsletter is designed to present information on business and tax matters in general terms and is not intended to be used as a basis for specific action without obtaining further advice.

Editor: Deb Stange

Please forward comments to newsletter@nohre.com
