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Cash for Clunkers

On June 24, 2009 President Obama signed the Consumer Assistance to Recycle and Save Act of 2009 (CARS Act). This is a federal program that helps consumers purchase a new, more fuel efficient vehicle when they trade in a less fuel efficient vehicle between July 1, 2009 and November 1, 2009 - or until funding is exhausted. The program does not allow for the purchase of a used vehicle. Consumers receive either a $3,500 or $4,500 voucher to offset the purchase price or lease price of a new vehicle. The new vehicle purchase price must be less than $45,000. In order to be eligible for this program, the vehicle must be less than 25 years old on the trade-in date, must be in drivable condition, must get less than 18 miles per gallon and must be registered and continuously insured for a full year preceding the trade-in. At the time this article is being written, the “Cash for Clunkers” program is estimated to cost $4 billion.

The CARS Act is aimed at reducing pollution, increasing fuel efficiency and therefore decreasing oil dependency and jump-start automotive sales.

For a passenger car, the new vehicle must get at least 22 mpg in order to be eligible. To qualify for the $3,500 voucher, the new vehicle must have at least a 4 mpg improvement over the traded-in vehicle. If the new vehicle gets an estimated 10 mpg or higher than the trade-in, the consumer qualifies for the full $4,500.

For small trucks, the new truck must get at least 18 mpg in order to be eligible. If the new truck gets an estimated 2 mpg improvement over the traded-in truck, the consumer qualifies for the $3,500 voucher. In order to receive the $4,500 voucher, an increase of 5 mpg over the trade-in is necessary.

For large trucks, the minimum fuel economy must be 15 mpg in order to meet eligi-

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In This Issue . . .

From the Principals

THOUGHTS & MUSINGS

Now that the first six months of 2009 is history, I thought it was about time to consider some observations that may be of value to you.

Diversification:

Over the past years, one particular axiom of investing was diversification, whereby you allocated your investments between stocks, bonds and money accounts so that any swings in a particular market type would not adversely affect your total portfolio. Unfortunately, this did not hold true during our recent market downswing. All were negatively hit. Which leads to the following question. “Do you still diversify?” This can only be answered by you, along with your personal situation and your retirement expectations. It is something that should be considered, especially on an annual basis. In general, asset allocation and diversification still works, just remember that it may not present the same results in future periods as it did in the past.

As accountants, we maintain analytical data for our clients which can highlight trends and possible problem areas. Therefore, it is always recommended to have some fixed time

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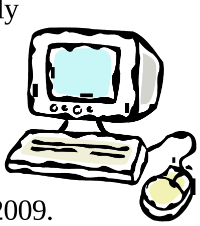
American Recovery and Reinvestment Act of 2009

As we get ready to enter the fourth quarter of 2009, year end tax planning has probably crossed some of your minds. Recently the government enacted the American Recovery and Reinvestment Act of 2009. Also known as the 2009 Economic Stimulus Act, the following are some of the key points of the new law for individual taxpayers and businesses that may be helpful for upcoming tax planning.

Individual Taxpayers

- Temporarily suspends federal income tax on the first $2,400 of unemployment benefits received in 2009.
- The child tax credit has been expanded. The law increases the eligibility for the refundable child tax credit in 2009 and 2010 by lowering the earned income threshold to $3,000 from $8,500 in 2008.
- Higher education tax credits have been expanded and revised. The new law creates a $2,500 higher education tax credit that is available for the first four years of college. The credit is based on 100% of the first $2,000 of tuition and related expenses (including books) paid during the tax year and 25% of the next $2,000 of tuition and related expenses paid during the tax year, subject to a phase-out for adjusted gross income of $80,000 ($160,000 for married couples). This new credit temporarily replaces the Hope Credit.
- A provision in the new law also permits computers and computer technology to qualify as qualified education expenses in 529 education plans for tax years beginning in 2009 and 2010.



- First-time homebuyers can receive a refundable tax credit of 10% of the purchase price of a new home, up to $8,000. Taxpayers must close on the residence prior to November 30, 2009.
- For 2009, there is a new deduction for state and local sales taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles after February 16, 2009 and before January 1, 2010. The deduction is available whether a taxpayer itemizes or claims the standard deduction and is limited to the tax on up to $49,500 of the purchase price. Also, the dollar limitation is imposed on a per vehicle basis which means you can deduct taxes on two or more purchases of qualifying motor vehicles. The tax deduction phases out for taxpayers with adjusted gross income of $125,000 ($250,000 for married filers). If a taxpayer itemizes however, and elects to deduct state and local sales taxes in lieu of state and local income taxes they are not eligible to also deduct the taxes paid on the vehicle purchase.
- Alternative minimum tax (AMT) exemption amounts were increased. For 2009, the AMT exemption amount increased to $46,700 for unmarried individuals, $70,950 for joint filers and $35,475 for married individuals filing separate returns. The new law also allows personal credits against AMT.

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Questions & Answers

Car Allowance Rebate System (CARS)

Q I have been hearing a number of things about the age and mileage vehicle estimates from the window sticker of the vehicle. Can you tell me more?

A Your vehicle can be no newer than year 2000 but not more than 25 years old and you must have had it insured and registered for the last 12 months. Also, keep in mind that your CARS vehicle must be in running condition. The mileage estimates come from your window sticker. If you are not sure that your vehicle qualifies go to *www.cars.gov* .

Q When will I receive the $3,500 or $4,500 rebate from the government?

A You will not receive the money from the government. The money goes directly to the dealership and the amount varies. Go to the website shown above for the amount you could receive off the price of the new vehicle.

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bility requirements. To qualify for the $3,500 voucher, the new truck must have an improvement in fuel economy of 1 mpg while an improvement of 2 mpg or greater qualifies the consumer for the $4,500 voucher.

It is also important to note that the voucher amount cannot be added to the trade-in value. For example, if you trade in a vehicle worth $5,000 and it qualifies for a $3,500 voucher, you do not receive an $8,500 trade-in allowance. That is because the dealers cannot resell cars that qualify for the CARS Act; they must destroy the cars.

In order to participate in the program, the consumer only needs to purchase a new vehicle. You do not need to register for the program. The dealer handles all of the paperwork and reduces the purchase price by the voucher amount. The voucher is an electronic transfer from the government to the dealer. Only one voucher is allowed per person and vouchers cannot be transferred to another individual.

For more information, please visit **www.cars.gov** .

(From the Principals, continued from page 1)

of year, at least on an annual basis, where you evaluate the change in your accounts and consider possible scenarios which could benefit you in the future. We recommend that you maintain a spreadsheet of your current account holdings by fund, not only for the current period, but include at least three to five years of the same data. This will highlight trends that are important for future planning. For example, if you are heavily invested in equities, which have been fluctuating lately, you may want to begin making contributions or transfer some current poor performing investments to more conservative investments, like CD's, US treasuries or corporate bonds. Diversification sounds relatively easy, but it is more difficult to achieve in a short period.

The important thing is you must evaluate the situation on a regular basis. If you feel overwhelmed with the myriad choices and concerns, please consult a financial planner or money manager who can assist you with your investment goals. As we all know, time goes by quicker than we imagine. Hopefully, you can mitigate any future declines with proactive involvement now.

What Baseball Announcers Say

"It's such a beautiful sport, with no politics involved, no color, no class. Only as a youngster can you play and as a pro can you win. The game has kept me young, involved and excited and for me to be up here with gems of baseball." — *Jack Buck*

"When I came up to bat with three men on and two outs in the ninth, I looked in the other team's dugout and they were already in street clothes." — *Bob Uecker*

"Baseball is a lot like life. It's a day-to-day existence, full of ups and downs. You make the most of your opportunities in baseball as you do in life." — *Ernie Harwell*

"They (Expo fans) discovered 'boo' is pronounced the same in French as it is in English." — *Harry Caray*

"Losing feels worse than winning feels good." — *Vin Scully*

"Any team can have a bad century." — *Jack Brickhouse*

"Things turn out best for those who make the best of the way things turn out." — *Jack Buck*

Staff List

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Businesses

- In 2008, businesses could elect to write off 50% of the cost of depreciable property immediately rather than using ordinary depreciation. The new law extends this benefit for qualified property purchased and placed into service in 2009.
- In 2008, the amount that businesses could write off under Section 179 depreciation expensing was increased to $250,000 and increased the phase-out threshold to $800,000. The new law extends these temporary increases for capital expenditures incurred in 2009.
- Previous to the new law, net operating losses (NOLs) could be carried back to the two years before the loss arose and carried forward twenty years after the year the loss arose. The new law extends the maximum NOL carryback period from two years to five years for small businesses with gross receipts of $15 million or less.
- The new law also has incentives for businesses to hire unemployed veterans and disconnected youth. Businesses can claim a work opportunity tax credit equal to 40% of the first $6,000 of wages paid to employees of this nature. Individuals qualify as unemployed veterans if they were discharged or released from active duty from the armed forces in 2008, 2009 and 2010 and received unemployment compensation for more than four weeks during the year before being hired. Individuals qualify as disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

While the above is not an exhaustive list of the entire law, we feel that the items noted are the most relevant to our taxpayers' needs. Please feel free to contact our office with any further questions about these items or other parts of the Act that are not discussed.

Reference: RIA Checkpoint

Comings & Goings

Henry, Rick, Annette, Dean, Andrea, Mike, Julie and Kallan attended the Risk Assessment Revisited seminar.

Henry, Larry, Annette, Dean, Mike, Julie and Kallan attended the School District Auditing & Reporting seminar.

Rick, Dean, Andrea, Mike, Julie and Kallan attended the Auditing Nonprofit Organizations seminar.

Rick attended the Preparing 990 for Nonprofits and the 2009 Tax Update seminars.

Annette, Dean, Andrea, Mike, Julie and Kallan attended the Governmental Accounting & Auditing conference.

Annette attended the Peer Review Update course and the Advanced Course in Peer Review Standards.

Tax Advice Notice

IRS Circular 230 requires us to advise you that, if this communication or any attachment contains any tax advice, the advice is not intended to be used, and cannot be used, for the purpose of avoiding federal tax penalties. A taxpayer may rely on professional advice to avoid federal tax penalties only if the advice is reflected in a comprehensive tax opinion that conforms to stringent requirements. Please contact us if you have any questions about Circular 230 or would like to discuss our preparation of an opinion that conforms to these IRS rules.