

Certified Public Accounting and Consulting • (630) 653-3510 • Fax (630) 653-3508 • www.grebeassoc.com

Although a challenge in the current economic environment, solid financial planning is crucial to successfully manage your personal assets. Special attention should be paid to the tax component of your plan. As 2009 draws to a close, taxpayers, *in partnership with a tax professional*, need to assess the following in anticipation of tax preparation. The goal remains consistent - *maximize income retention by minimizing tax payment.*

- **DETERMINE YOUR FILING STATUS** - you could possibly gain an advantage by changing your filing status.
- **DETERMINE YOUR EXEMPTIONS** - Generally you can claim one exemption for yourself, one for your spouse, and one for each dependent child. In some cases you can claim a qualifying relative who meets certain tests.
- **TIME YOUR INCOME AND EXPENSES** - If possible, delay a portion of your salary to 2010, or delay taking a distribution from your IRA. Also consider "bunching" some of your deductions, i.e. medical expenses and unreimbursed business expenses, to the end of the year which would allow you to combine two years' worth of deductions into one year. If the resulting deduction exceeds the deduction floor, you'll gain a tax advantage.
- **MAXIMIZE YOUR DEDUCTIONS** - Identifying all the deductions you may be entitled to, is complex. It is our job to stay on top of the myriad of tax law changes affecting deductions, as well as help you determine whether it is better to itemize or claim the standard deduction. Keep track of expenses such as: alimony paid, IRA contributions, HSA contributions, health insurance premiums, retirement plan contributions, student loan tuition and interest, home mortgage interest, vacation home rental expenses, charitable contributions, state and local income tax, property taxes, and investment interest/gain/loss. It's a good idea to save all records and receipts as support for allowable deductions - the general rule is to save records for six years.
- **PLAN YOUR INVESTMENTS** - Contact us to determine whether it may be advantageous for you to sell investments before the end of the year, carry forward losses, donate stock to charity, or sell it first, and then donate the sale proceeds to the charity. The taxable gain/loss can make a significant impact on your taxes due.

FEDERAL TAX PROVISIONS DUE TO EXPIRE

EXP DATE

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| ✓ First-time homebuyer credit | 11/30/2009 |
| ✓ \$250 Teacher Deduction | 12/31/2009 |
| ✓ Sales tax in lieu of state income tax | 12/31/2009 |
| ✓ Sales tax on auto purchase added to standard deduction | 12/31/2009 |
| ✓ \$500/\$1000 property tax deduction added to standard deduction | 12/31/2009 |
| ✓ \$2,400 tax-free unemployment compensation | 12/31/2009 |
| ✓ Tuition Deduction | 12/31/2009 |
| ✓ Moratorium on required minimum distribution | 12/31/2009 |

Effective tax planning is key to minimizing your 2009 tax bill. In light of all the federal tax law changes enacted over the past year, it is crucial now more than ever to develop a comprehensive planning approach that considers today's tax laws, and anticipates future changes.

Professional tax preparation is a necessity given the array of tax-impacting changes enacted in 2009. Believing this and understanding that cost-cutting has become the norm for many, I am committed to keeping your preparation costs at 2008 tax year levels, assuming similar preparation effort.

We are scheduling tax planning appointments now for our clients. If you'd like to come in and discuss your tax planning personally, please call our office for an appointment.

Everyone at Grebe & Associates would like to wish you a great upcoming holiday season, and a very prosperous New Year!

John T Grebe

NOTE: The Tax Organizer will be mailed to you in January. Please be sure to keep us in mind if any of your friends, relatives or colleagues may be in need of professional tax assistance...

Currently, our website

www.grebeassoc.com

is under construction... stay tuned for further updates!

As always you may contact me either by phone or email. To schedule appointments, please call our office manager, Cindy Krage. Reach us by phone at: 630-653-3510 or email at:

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SECTION 529 COLLEGE SAVINGS PLANS

- If you are a Section 529 Plan investor, and your child has now begun college, you can withdraw the funds tax-free to pay for qualified expenses. To be eligible for tax-free treatment, 529 withdrawals must be made in the same tax year in which qualified expenses are paid. Qualified college expenses include: tuition and fees, books, supplies, equipment and room & board.

NEW RULES FOR ROTH IRA CONVERSIONS

- The rules to convert a traditional IRA or 401K into a Roth IRA have changed for 2010. The rule eliminates the AGI income restriction on conversions. However, you will need to pay tax on the converted dollars as income, but you can split the tax between tax years 2011 and 2012, both delaying and dividing the tax bill. You should consider your overall tax and investment picture before making any decisions on conversions however.

BUSINESS OWNERS

- The economy has been especially rough on business owners. Complete understanding of eligible deductions will help in minimizing tax impact, as rules have changed for 2009. Allowable deductions include: bad business debts, casualty and theft losses, capital losses, losses on the sale of business assets, and net operating losses. If you are considering purchasing a new (vs. used) asset for business use (equipment, auto, truck, furniture) in 2009 you may be eligible to receive a bonus depreciation. We will partner with you to understand this and other new depreciation rules.

LOOKING AHEAD, INFLATION HAS LITTLE EFFECT ON TAX RATES AND BENEFITS FOR 2010.

- The value of each personal and dependency exemption remains unchanged from 2009 at \$3,650. The standard deduction for heads of household will increase from the 2009 rate of \$8,350 to \$8,400. The standard deductions remains unchanged at \$11,400 for married filing joint, and \$5,700 for filing single.

E-FILING

- The Treasury Department has released a report recommending the IRS seek mandatory electronic filing of individual tax returns by paid preparers, and legislation is being readied to write such a requirement into law. We have long recommended e-filing for our clients, and will continue to do so. It allows for a faster refund and confirmation of the return's acceptance by the IRS and the State.

FRAUD ALERT: Be aware, there continues to be email identity-theft scams which claim to be from the IRS, attempting to trick the recipient into disclosing vital personal information. Please note: **the IRS doesn't contact taxpayers to request personal information by email.** If you receive an email of this type, we strongly recommend you delete it and resist opening any attachments or links!