

# The Bottom Line

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## Paperless Billing?



Would you like to enroll in our paperless billing program at Walling's Accounting and Tax Service? Instead of our office mailing you an invoice or a statement, we would email the information. If you would like to be put on our list, please contact our office and let us know which email address you would like the invoices sent to. Thank you! Save A Tree!



## First Time Homebuyer Tax Credit

Another year for the first time homebuyer's tax credit is a good bet as well. With the housing market languishing, Congress is likely to OK an extension until Jan. 1, 2011. The \$8,000 credit is currently set to expire on Dec. 1 this year. Call us if you have any questions on this credit (for example, you are considered a "first time" homebuyer if you have not owned a home three years prior to the purchase date of the new home).

But no expansion. Forget about proposals for raising the credit to \$15,000 and offering it to all buyers...not just first timers with annual incomes of \$75,000 or less for singles, \$150,000 a year for couples.



## The Economy

Layoffs will continue for many months, though there will gradually be fewer and fewer of them. Employers will not start to add very much to payrolls until a recovery is well established...well into 2010.

Who is more likely to be laid off these days, a younger worker or an older one? A younger one. The pattern of past recessions is being turned upside down in this downturn. More employers are deciding that they get more bang for their buck with experienced workers, even though their pay may be higher. One reason: Their institutional memory. Another: Their work ethic. Employers say they do not need to tell oldsters to turn off their iPods, remind them how to dress or to come in on time.

Employment among those over 55 is actually on the rise. From Nov. 2007 to last May, it grew by over a million, despite a 5.5 million drop in total employment. That is partly because older workers are staying on the job. A rising number say they plan to work past age 65 or at least three years longer than they had expected because of lower retirement savings or the cost of health care and other necessities.

More retirees are earning paychecks again as well. Some of them come back to the workforce part-time or full-time for the income...others, because they are bored.

The trend could turn out to be a mixed blessing for employers, though. Short term, it keeps valuable experience on the job and buys more time for companies that have not cultivated replacements for key employees who are nearing retirement. But health care and disability costs are often greater for older workers than they are for more junior employees. And firms may find it tougher to hang on to young talent whose career ambitions are thwarted by older colleagues who opt to hang around.

## Reverse Mortgages to the Rescue



Seniors are using reverse mortgages to tap the equity in their homes and generate tax-free income to help them ride out hard times. And new rules that took effect this year allow seniors to use a reverse mortgage to buy a new home (in the past, they had to stay put). As part of the economic-stimulus package, Congress raised the reverse-mortgage loan limit from \$417,000 to \$625,000 through the end of 2009. But getting a reverse will not come cheap: You will pay the usual closing costs, plus loan-servicing fees, an origination fee of up to \$6,000 and interest over the life of the loan. Also, an initial insurance premium of 2% of the home's value and 0.5% per month of the mortgage balance. A reverse mortgage makes sense only if you plan to stay in your house for several years.

*"If we did all the things we are capable of, we would literally astound ourselves."*

## President Obama's budget plan

Tax hikes are on the way. Not right away, during the current economic downturn, but in 2011, when Obama figures the economy will have recovered. The targets: high incomers (from 33% and 35% to 36% and 39.6%) and businesses. The current 15% maximum rate for capital gains and dividends would rise to 20% for filers who are above the 28% tax bracket, effective in 2011. Continued phase-outs of personal exemptions and itemized deductions. Set to lapse after 2009, both of these tightenings would be reinstated by Obama beginning in 2011, but only for taxpayers who are in the two highest tax brackets.



## IRS Enforcement

Random audits of individual income tax returns will not go away after 2009.

IRS will continue the program indefinitely. In 2007, the Revenue Service revived its random audit program, selecting 13,000 returns a year for three years. The agency uses data on noncompliance from these exams to fine-tune its formulas to pick returns for audit and to update its tax gap estimates. The Service hopes that by extending these audits, the return selection formulas will be more up to date.

The Service has a new guide for examining the construction industry. Agents will ensure that companies properly report income from long-term contracts, including policing the exceptions to the percentage-of-completion reporting method for home construction contracts and small contractors. They are also instructed to probe deeply for unreported income, especially in the home building industry.

Ministers will get special attention from auditors as well. A new audit guide tells examiners to be on the lookout for several potential trouble spots. Among them: Incorrectly figuring the tax-free housing allowance and failing to pay self employment tax on it, wrongfully claiming to be exempt.

**"A great life is the sum total of all the worthwhile things you've been doing one by one. "**

## DUE DATES

### October

- 15<sup>th</sup> Payroll Tax Deposits
- 20<sup>th</sup> Sales/ Hospitality Tax
- 31<sup>st</sup> Halloween

### November

- 2<sup>nd</sup> Quarterly Reports
- 2<sup>nd</sup> IFTA Reports
- 16<sup>th</sup> Payroll Tax Deposits
- 20<sup>th</sup> Sales/ Hospitality Tax
- 26<sup>th</sup> Thanksgiving
- 27<sup>th</sup>-28<sup>th</sup> Firearms Tax Holiday (includes handguns-  
rifles & shotguns)

Do not forget to change your cash register if this holiday applies to your business.

### December

- 15<sup>th</sup> Payroll Tax Deposits
- 21<sup>st</sup> Sales/Tax Hospitality Tax
- 25<sup>th</sup> Christmas
- 31<sup>st</sup> UCR's
- 31<sup>st</sup> End of 2009!

CALL US FOR TAX PLANNING TODAY!