

December 30, 2009

2009 – Another Year of Change

Time seems to move faster as each year goes by, and everything around us seems to change not only faster, but more dramatically as well. This year has been no exception. As we settle in to the winter season, celebrate the birth of Jesus, and reflect on the year that has just about past, we notice that our children have changed, our churches have changed, and there have been changes in the lives of our friends. In addition to the changes to our tax laws this year, we want to let you know about some exciting changes we have made at Culver, Wood & Culver, CPA's.

Moving & Expanding our South Office

Many of you are customers at our “**Best Tax Service**” office on 28th Street in Wyoming. Although this office operated as a tax office in the winter only for over 20 years, we have changed the name to Culver, Wood & Culver, CPAs, expanded the services we offer to include business payroll, accounting, tax and QuickBooks® training, and, in January 2010, will open expanded offices in Gezon Plaza across from the Clyde Park/Gezon Target® store.

Our new Wyoming office address is:

Culver, Wood & Culver CPAs (South Office)
901 Gezon SW, Suite D
Wyoming MI, 49509

Welcome Carrie Osborn, EA to Culver Wood & Culver CPAs

We added Carrie Osborn to our team this summer and are excited about the skills and abilities she offers. Carrie has over 10 years of experience preparing income tax returns and is licensed to represent clients before the IRS as an Enrolled Agent (EA) and has a Masters Degree in Accounting from Davenport University. Carrie will be helping us with tax returns, payroll preparation, and bookkeeping for our customers. More clients are seeking these services than in prior years.

Newsletter: Financial Cents

We started providing our customers with an e-mail newsletter this year providing information we think is relevant to our customers. This year we have provided newsletters about the homebuyers tax credits, energy tax credits, tax credits for college expenses, and information about how the 'Making Work Pay' tax credit will affect your 2009 tax return. If you missed one or more of these newsletters, we have posted the information under 'Articles' on our website at www.cwccpas.com. If you are not receiving these newsletters yet and would like to, please e-mail us at duane.culver@cwccpas.com.

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CULVER, WOOD & CULVER, CPAs

BUSINESS & TAX CONSULTANTS

Since 1977

Accountants who care!!

Duane S. Culver, CPA, MST

Lyndon R. Wood, CPA

Timothy J. Lunger, CPA

Paul H. Toczydlowski, CPA

Lena C. Abissi, EA, CFP®

Carrie M. Osborn, EA

2010 Tax Planning Opportunities

With the new year will come some new opportunities for tax planning. Many people with incomes over \$100,000 have been unable to convert their IRAs to ROTH IRAs. In 2010, the ability to make the conversion begins, and it begins with an opportunity to defer the tax on the conversion until 2011 and 2012. Making the decision to make this conversion involves evaluating several complex issues and making calculations based on uncertain future economic forecasts, but it could reduce the tax bite by making the conversion in January of 2010, instead of waiting until December. We have prepared an article to explain why you might consider converting your accounts, and identified some strategies for minimizing the taxes you pay on the conversion. Visit 'Articles' on our website at www.cwccpas.com.

Estate planning in 2010

The surprise in estate planning is that there has not been a major new change to this legislation in the last few years. As the law stands right now, there is no estate tax in 2010, but in 2011 the estate tax will begin after the first \$1 million in value. In 2009, the first \$3.5 million passes free of tax. We are anticipating changes in this area, but congress is currently distracted with other issues. It is important to plan these areas. Please call to arrange a time we can discuss your situation and help you develop plans that suit you and your family's needs.

Tax Credits

There are tax credits available for purchasing a home, paying college tuition, and making energy saving home improvements. We have prepared short articles about each of these opportunities and put them on our web site for your use. Visit 'Articles' at www.cwccpas.com.

Last minute reminders for 2009

Charitable Contributions need to be delivered or postmarked by December 31 to be deducted in a given year. Placing a check dated 12/31/09 in the offering plate at church on January 3, 2010 is delivered in 2010 and deductible for 2010, not 2009.

Michigan offers a 50% return (credit) on the first \$200 (\$400 for joint filers) you donate to Michigan colleges or universities, public broadcasting stations, and public libraries. (The gift must be a monetary donation.) An additional credit (same limits and rules apply) is offered for contributions to a community foundation in Michigan (like the Grand Rapids Community Foundation). A third credit is offered for contributions to a qualifying homeless shelter, food bank, or food kitchen. Contributions to your church's food pantry do not qualify for this credit, but you can send contributions to Feeding America West Michigan Food Bank (formerly Second Harvest Gleaners Food Bank of West Michigan) and ask them to apply the contribution to your church's account. This will qualify for the credit. (50% of the first \$200, or \$400 if filed jointly, comes off your Michigan tax amount.)

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Business Owners trying to reduce their cash-basis income for 2009 must make sure payments are delivered or postmarked by December 31. Payments made by credit card by December 31 are considered paid in that year for tax purposes. If you are like many Michigan business owners and are looking for ways to increase your cash-basis profits, finishing a job and collecting payment before the end of the year will help add to the bottom line. Also, a delay in paying expenses from December until January will help increase your profits.

Purchases of equipment and furniture can generally be deducted in the year of purchase, up to \$250,000 in 2009. You must place the property in service by 12/31/09 to claim the deduction for that year.

Make sure your mileage log of your business travel is up to date. For 2009, the standard mileage rate is 55¢ per mile. In 2010, the rate drops to 50¢ per mile.

Capital Gains are being taxed at their lowest rates in many years and, based on current law, will be taxed at higher rates in 2011. We receive a lot of questions about how this type of income is taxed and how the rates are changing. To summarize, qualified dividends and long-term capital gains (property held for at least one year) are taxed at the rate of 15% in 2009 and 2010. (The rate is 0% (yes ZERO) if you are in the lowest two ordinary income tax brackets – 10 or 15%.) In 2011, the rates are set to increase to 20% and 10% if you are in the lowest two tax brackets. Additional rules apply to real estate and other property that has been depreciated, but overall, if you have the opportunity to dispose of property at a gain in 2009 or 2010, these could be great years to do so – at least from an income tax perspective.

Required Minimum Distributions from retirement plans and accounts are not required for 2009 as they generally are for people aged 70 ½ or greater. If you already took one or more distributions in 2009 and are over age 70 ½, you have until 12/31/09 to return one distribution and be treated as not having taken it out. An additional opportunity for an IRA is that you may make charitable contributions directly from your IRA and not report it as income in 2009. Please let us know if you have questions about how to take advantage of these opportunities.

We thank you for your business this past year and look forward to seeing you again very soon in the New Year.

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