

TALKING POINTS

Deduct donations now for Haiti relief

Donations to charities providing earthquake relief in Haiti can be deducted on 2009 tax returns, according to the Internal Revenue Service.

Taxpayers who itemize deductions on their 2009 return qualify for this special tax relief provision, which was enacted Jan. 22. Only cash contributions made to these charities after Jan. 11, 2010, and before March 1, 2010, are eligible. This includes contributions made by text message, check, credit card or debit card.

“Americans have opened their hearts to help those affected by the Haiti earthquake,” said IRS Commissioner Doug Shulman in a press release “This new law provides an immediate tax benefit for the many taxpayers who have made generous donations.”

The new law only applies to cash (as opposed to property) contributions. The contributions must be made specifically for the relief of victims in areas affected by the Jan. 12 earthquake in Haiti. Taxpayers have the option of deducting these contributions on either their 2009 or 2010 returns, but not both.

To get a tax benefit, taxpayers must itemize their deductions on Schedule A. Those who claim the standard deduction, including all short-form filers, are not eligible.

As always, be sure contributions are made to qualified charities. Most organizations eligible to receive tax-deductible donations are listed in a searchable online database available on IRS.gov under “Search for Charities.” Some organizations, such as churches or governments, may be qualified even though they are not listed on IRS.gov. Donors can find out more about organizations helping Haitian earthquake victims from agencies such as USAID. Note that contributions to foreign organizations generally are not deductible.

Federal law requires that taxpayers keep a record of any deductible donations they make. For donations by text message, a telephone bill will meet the recordkeeping requirement if it shows the name of the donee organization, the date of the contribution and the amount of the contribution.

For cash contributions made by other means, be sure to keep a bank record, such as a canceled check, or a receipt from the charity showing the name of the charity and the date and amount of the contribution. Publication 526 has further details on the recordkeeping rules for cash contributions.

VOLUME 4, ISSUE 2



What's Inside

Homebuyer Credit	2
Online Taxes	2
Ga. School Credit	3
Lease vs. Buy	4

Georgians Get credit for buying a home

A taxpayer is allowed a tax credit for the purchase of one eligible single-family residence located in Georgia made between June 1, 2009, and Nov. 30, 2009. The credit amount is the lesser of 1.2 percent of the purchase price of the eligible single-family residence or \$1,800. The credit can't exceed the lesser of one-third of the credit or the taxpayer's income tax liability. This means that a maximum \$600 may be claimed each year. Please be sure to include any new home purchase information in your 1040 Tax Organizer.

Act now for homebuyer tax credit

Don't let time slip away before it's too late. Anyone who purchased a principal residence in 2009 and early 2010 needs to send us documentation of that purchase with your 1040 organizer so that we can see if you qualify for up to \$8,000 first-time homebuyer credit or up to \$6,500 credit set up under The Worker, Homeownership and Business Assistance Act of 2009. This law has established a tax credit of up to \$6,500 for qualified move-up/repeat homebuyers (existing home owners) purchasing a principal residence after Nov. 6, 2009, and on or before April 30, 2010, (or purchased by June 30, 2010, with a binding sales contract signed by April 30, 2010). A qualified move-up homebuyer ("long-time resident") is one who has owned and resided in the same home for at least **five consecutive years** of the eight years prior to the purchase date. For married taxpayers, the law tests the homeownership history of both the homebuyer and his or her spouse. In other words, both spouses must qualify as long-time residents. Repeat homebuyers do not have to purchase a home that is more expensive than their previous home to qualify for the tax credit. Purchases between certain related parties do not qualify.



How is the amount of the tax credit determined?

The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500. Purchases of homes priced above \$800,000 are not eligible for the tax credit.

Are there any income limits for claiming the tax credit?

The income limit for single taxpayers is \$125,000; the limit is \$225,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) above those limits. The phase-out range for the tax credit program is equal to \$20,000. In other words, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$145,000 (single) or \$245,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.

Take the easy way: Consider filing taxes online

Paying taxes is never painless, but some electronic filing options can make the process a little easier.

Businesses and individuals can enroll in the IRS's free electronic payment program, EFTPS. This allows taxpayers to pay federal taxes via the Internet or over the telephone. Instead of having to write a check and take it to a financial institution or trusting the payment is delivered in the mail, the IRS can withdraw the payments directly from an enrolled bank account.

In addition to the convenience of making payments from home or an office at any time, payments can be scheduled up to 120 days in advance for businesses and 365 days in advance for individuals, including estimated tax payments. These payments can be made daily, weekly or monthly. Furthermore, scheduled payments can be canceled up to two business days in advance of the settlement date.

The EFTPS option is available on most individual income tax returns as well as many business returns.

Those who would rather not enroll in the EFTPS can still take advantage of electronic withdrawal from their accounts for tax balances due with their e-filed business or individual tax returns, estimated tax payments or extensions.

With this option, taxpayers can cancel scheduled payments up to 8 p.m. EST two business days before the scheduled payment date.

Taxpayers can also make tax payments by debit or credit card whether or not they e-file the return. Credit cards can be used to make the payment at time of e-filing over the telephone or online. Paying with American Express, Discover, MasterCard or VISA allows the taxpayer to pay the taxes now while paying the credit card company later. Link2Gov Corporation and Official Payments Corporation are the two service providers the IRS uses to process the credit card payments. There is a fee charged by service providers based on payment amount.

Source: *The Tax Adviser*, December 2009



Ga. tax credit now available for private school

A new law in Georgia went into effect in 2008 that provides for the creation of student scholarship organizations (“SSOs”). Georgia income tax credit-eligible contributions can be used to provide public school or kindergarten-entry students with the opportunity to attend private schools.

Taxpayers in Georgia can “redirect” part of their Georgia income tax to a student scholarship organization (SSO) to provide scholarships for students to attend private schools and receive an income tax credit against their Georgia income taxes for the amount of their contribution.

Donors are not permitted to designate their own dependent. However, someone other than the student’s parent — the student’s grandparent, for example — is allowed to make the donation and take the credit.

The student must also be currently enrolled in a Georgia secondary or primary public school or be eligible to enroll in a qualified kindergarten program or pre-kindergarten program to be eligible to receive the tuition money.

Below are the contribution limits:

- A single taxpayer can “redirect” up to \$1,000;
- A married couple filing jointly can “redirect” up to \$2,500;
- A “C” corporation can “redirect” up to 75 percent of its Georgia tax liability; and
- Partnerships such as S corporations and LLCs, which pay no Georgia income tax directly, are subject to the same limits as an individual.

The donor can apply for the credit by notifying the Georgia Department of Revenue with the total amount they intend to donate to a specific scholarship organization. The taxpayer can request pre-approval of the credit by filing Form IT-QEE-TP1. Within 30 days, the Department of Revenue pre-approves, denies or reduces the requested amount based on availability of tax credits remaining against the aggregate total of \$50 million maximum that is allocated for each year.

If approved, the donor must make the contribution to the scholarship organization within 30 days after the date of the approval notice from the DOR. The donation must also be made to the scholarship organization by the end of the calendar year in which the donation was pre-approved.

The scholarship organization will provide a letter to the donor confirming the dollar amount of the donor’s contribution. This letter will need to be attached to the donor’s Georgia tax return.

Each SSO has the option of allowing donors to specify (1) the private school that the donor wants the money to go to and (2) the student that the money will benefit. The current list of SSO’s can be found on the Georgia Department of Education Web site, www.doe.k12.ga.us. Should you have any questions about this credit, please contact Freya Myers at our office.



Lease or buy an auto? How to decide

When looking into a new vehicle most people wonder whether buying or leasing is the best option. The answer is not quite cut and dry, and below are some things that need to be considered:

Leasing

Leasing a vehicle has its advantages and disadvantages. Two of the main advantages of leasing are that there is a minimal initial investment with low monthly payments and there is a hassle-free trade-in at end of lease term. Additionally, leasing is convenient for people who replace their vehicle every two or three years.

On the other hand, most leases limit the number of miles the lessee may drive, usually between 12,000 and 15,000 per year. This could be a major disadvantage as excess mileage can be very costly. And while the lessee does not build any equity on the vehicle, the car's or truck's future value does not affect the lessee financially.

The business deduction for a leased vehicle is the business' percentage of the lease payment. However, the business must reduce the deductible lease expense by the business percentage of the income inclusion amount for the year. This is so the luxury vehicle limitations are brought into line with those related to owned vehicles. In other words, to compare apples to apples when it comes to a business deduction.



Buying

Buying a vehicle requires a higher monthly payment and increased up-front costs such as a down payment, taxes, registration and other fees. Of course, there are no limitations on miles driven. Bear in mind, though, that high mileage will result in lower trade-in value in the future.

At the end of the term of the loan, the vehicle is yours and you can keep it as long you want. Most likely equity is available that can be used to pay for the next vehicle.

The business deduction for an owned vehicle used more than 50 percent for business is the depreciation expense allowed using the accelerated method applied to five-year property. A limitation may be imposed due to luxury vehicle rules, which can affect the depreciation deduction for certain vehicles. Dispositions of owned business vehicles often involve tax basis complexities, which can make it more burdensome from an accounting administration standpoint.

In summary, leasing is best for those individuals who are not planning to keep a vehicle for a long time, who want to minimize their cash outlay and who can stay within the mileage allowance.

Buying, on the other hand, is for individuals who see a vehicle as a long-term commitment, who want to be free of debt at the end the loan and who do not want to worry about miles driven or the wear and tear on the vehicle.

Whichever way you decide to go, take into consideration the impact it will have on your business deduction.

Note re: Trade In

Be sure to call us before you trade in a business vehicle. In many cases, you save significant tax by selling rather than trading.