

Newsletter

**RIOLO
ROBERTS
& FREDDI, LLP**
CERTIFIED PUBLIC
ACCOUNTANTS

JUNE 2009

SECOND ESTIMATED TAX PAYMENT DUE JUNE 15

The due date for making your second installment of 2009 individual estimated tax is June 15, 2009. Your check to the United States Treasury or the Franchise Tax Board should be accompanied by Form 1040-ES or Form 540-ES, respectively. June 15 is also the due date for calendar-year corporations to make their second quarter 2009 estimated tax payment.

NEW LAW GIVES OPTIONS FOR 2008 OPERATING LOSS CARRYBACK

A net operating loss (NOL) is generated when a business has more deductions than income. Under prior rules, a business that had an NOL could carry that loss back only two years for a refund of taxes paid in those earlier years. (The business could also choose to carry the loss forward for up to 20 years.)

The American Recovery and Reinvestment Act of 2009 changed the carryback period to as many as five years. The new rule applies only to 2008 net operating losses in companies with average annual gross receipts over the last three years of \$15 million or less.

Planning opportunities ~

The carryback periods of three, four, or five years are elective. That means that the taxpayer can choose how long to carry back the NOL as long as it doesn't exceed five years. This opens up many tax planning opportunities, especially if taxable income has fluctuated significantly over the years. Not only that, it's a terrific benefit to taxpayers with NOLs larger than could be absorbed over the traditional two-year period.

As an alternative to carrying the loss back to prior years, you can still elect to forgo the carryback altogether and simply carry your losses forward to reduce future taxes.

Remember that the new NOL rules are elective, and you may choose to carry losses back as you see fit for up to five years. There are filing and time restrictions on this tax break for businesses, so please contact us if you need details and filing assistance.

IRS RELEASES 2009 VEHICLE DEDUCTIONS

Each year the IRS publishes depreciation limits for business vehicles first placed in service that year. Because 50% bonus depreciation is allowed only for new vehicles, these limits are different for new and used vehicles. For new business cars purchased in 2009, the first-year limit is \$10,960; for used cars, it's \$2,960. After year one, the depreciation limits are the same for both new and used vehicles purchased in 2009: \$4,800 in year two, \$2,850 in year three, and \$1,775 in all following years.

The 2009 first-year depreciation limit for trucks and vans is \$11,060 for new vehicles and \$3,060 for used vehicles. Limits for both new and used vehicles in year two are \$4,900, in year three \$2,950, and in each succeeding year \$1,775.

Please contact us for details relating to your 2009 business vehicle purchases.

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CONSIDER ENERGY~SAVING HOME IMPROVEMENTS TO CUT YOUR TAXES

President Obama signed the American Recovery and Reinvestment Act of 2009 into law on February 17, 2009. Among the various provisions in the law are new energy tax credits that can really add up to savings for the homeowner. Making energy-saving improvements to your home will help to save on utility bills, enhance your efforts to go "green," add value to the home, and perhaps reduce your tax bill for 2009. These residential energy tax credits fall into two main categories: energy efficiency improvements and renewable energy systems. In many cases, the Recovery Act adjusts or extends similar energy credits previously available.

Energy efficiency ~

The Recovery Act adjusts the residential energy property credits previously allowed, increasing the tax credit to 30% and the maximum aggregate cap to \$1,500. The credit applies to eligible property placed into service in your principal residence during 2009 and 2010. Qualifying improvements for this energy credit include insulation; exterior windows and doors; central air conditioning systems; water heaters and furnaces burning natural gas, propane, or oil; stoves using renewable biomass fuel such as wood, pellets, and plants; hot water boilers; electric heat pump water heaters; certain metal roofs; and advanced main air circulating fans.

Installation of these items as part of a newly constructed home does not qualify for the credit. For certain eligible items, the credit can be calculated based only on the cost of materials; for other items, the cost of installation also can be included. This credit is not subject to income phase-outs, and the credit is allowed under the alternative minimum tax.

Renewable energy ~

The 2009 law also generally removes the tax credit dollar limits for renewable energy systems. Such property includes solar hot water heaters, geothermal heat pumps, and wind energy systems. The tax credit, available through 2016, is up to 30% of the cost, including both labor and materials. Primary residences, second homes, and rental units qualify for this credit; existing and newly constructed structures are eligible.

Now may be the right time to upgrade the energy efficiency of your home. To discuss the tax breaks available for the improvements you have in mind, please give us a call and we can help you sort through the details.

MAKE TIME FOR MIDYEAR TAX PLANNING

Don't forget to put a little tax planning on your busy summer agenda. A midyear tax review is a great way to save tax dollars and time. To get together with your CPA for a review of your 2009 tax situation, please give us a call and we will schedule an appointment for you.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.