

FROM THE DESK OF BRIAN MARUM



Happy Spring!

After a very long winter, I would like to wish you a pleasant spring and summer. The recent nice weather is a welcome change.

Trivia

What year did the following event occur?

1. Smoot-Hawley Tariff Act
2. Adolf Hitler comes to power in Germany
3. Lend-Lease Act
4. Marshall Plan
5. Sinking of the Lusitania
6. Dred Scott decision
7. Brown vs. Board of Education decision
8. Federal troops withdrawn from South after Civil War

One of my services is presentations on Quickbooks, accounting, taxes, and general business. If you are interested in attending a presentation, contact the office.

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SECOND EDITION

This edition comes after a busy tax season.

During economic recessions, the services performed by professionals are more important than ever. Proper planning and review can make a big difference in reducing tax expenses, and determining whether you are on track to pay the right amount of taxes for the year.

I appreciate your continued support of my business and I am grateful for the opportunity to work for you. I will continue to provide the highest quality service possible to help you make the most of tax season.

Brian Marum

Tax News for 2009:

1. Making Work Pay Credit —(2009 & 2010) is 6.2% of earned income, up to a maximum credit of \$800 (MFJ) & \$400 for others. For most, the credit will be implemented through reduced income tax withholdings; for those with little or no withholding, the credit will be claimed on the '09 & '10 returns.
2. Deduction for sales & excise taxes on purchase of new automobile. Taxes are deductible only on the first \$49,500 of the purchase price.
3. First-time homebuyers credit. The new law increases the maximum first-time homebuyers credit and generally eliminates the recapture requirement (having to pay back the credit) for principal residences purchased in the first 11 months of 2009. The maximum credit for residences purchased Jan–Nov 09 is increased to \$8,000 (MFJ). The credit repayment provision has been eliminated

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HISTORY LESSON

With the current economic situation, I thought it would be a good idea to reflect back on prior decades to learn what can be done to move the economy forward.

The current conditions should remind you of the recessions from 1991, 1981, and 1973-74. The current recession is not

new. But the government's response to this recession is new: at no time in our history have we seen the amount of spending by the government through the Omnibus and Stimulus bills (among others) and the printing of trillions of dollars, and yet, we are still mired in a recession.

The 1980s is a recent example of what policymakers should do to spark an economic recovery. The 1980s was a decade of tremendous economic growth. During the 1980s, GNP rose 32% (inflation-adjusted) and 20 million jobs were created.

However, I thought it would be interesting to

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**Trivia
Answers**

1. 1930
2. 1933
3. 1941
4. 1947
5. 1915
6. 1857
7. 1954
8. 1877

**Who pays Federal Income
Taxes?**

(Source: IRS- 2004 tax yr)

1. The top 1% of filers paid 36.9% of all income taxes (AGI: \$328K and above)
2. The top 5% paid 57% of total income tax (AGI: \$137K or more)
3. Top 10% of all filers paid 68% (AGI: \$99K or more)

More Tax news , from page 1:

provided the home is owned and used as a principal residence for at least 36 months.

4. Partial exclusion of Unemployment Benefits—unemployment benefits are generally fully included in taxable income. For 2009, the first \$2,400 of benefits are excluded from tax. The remaining dollars over \$2,400 are included in income.
5. Suspension of Minimum Distributions for 2009— the new law waives requirements for required minimum distributions (RMD) for 2009 that would have been received by account holders and participants in defined contribution plans such as 401(k), 403(b), and 457s. This new rule change applies to other recipients of RMDs from these as well, not just those that are 70 -1/2 and older.
6. New business mileage rates (2009):
 - A. Business miles —\$.55/mile (\$.585/mile — 2008)
 - B. Medical miles- \$.24/mile (\$.27/mile —2008)
 - C. Charitable miles—\$.14/mile (\$.14/mile —2008)

To estimating 2009 Taxes:

1. The standard deduction for 2009 increases to \$5,700 (S) and \$11,400 (MFJ). If you are 65 or older, the additional standard deduction is \$1,400 (S) & \$1,100 (MFJ).
2. Long-term care premiums—for 2009: the limit on deductible long-term premiums is \$320 for taxpayers 40 years old and younger; \$600 for those between 40 and 50; \$1,100 for those between 50 and 60. \$3,180 for those between 60 and 70, and \$3,980 for those older than 70 years old.
3. Student loan interest—the maximum deductible amount is \$2,500.
4. HSAs —for a high-deductible plan, the minimum deductible must be \$1,150 (S) or \$2,300 (family). Annual out-of-pocket expenses (other than premiums) are \$5,800 (S) and \$11,600 (family)

Source: JK Lasser Your Income Tax 2009 Supplement Hoboken, New Jersey John Wiley & Sons., Inc. 2009

History Lesson, from p. 1:

look back at the 1920s.

The 1920s is a very misunderstood decade. After World War I, America began to retreat and guard against international entanglements. Domestically, Presidents Warren Harding and Calvin Coolidge proposed no major legislative programs like the New Deal or Great Society. Despite conventional wisdom that these presidents had strict laissez-faire views of economics, the size and scope of government grew during their administrations.

The key to the success of the economy during the 1920s was a tax plan initiated by Treasury Secretary Andrew Mellon. During World War I, the top income

tax rate rose from 7% to 73%. Under Secretary Mellon's plan the top rate was reduced first to 40%, then eventually down to 25%. Many people at the lower levels saw their income taxes eliminated altogether.

As a result:

- Revenues to the US Treasury increased
- Wages increased
- Working hours declined
- By 1926, unemployment was 1%
- At the end of the decade, the USA produced 34% of the world's economic output

These results helped fashion similar plans that were used in the 1960s by President Kennedy, in the 1980s

by President Reagan, and to a lesser degree, President Clinton, who lowered capital gains taxes in the 1990s.

The decade of the '20s is a great history lesson on what can happen for American workers when you reduce burdens on American business by reducing taxes, regulation, and other obstacles.

Source: Woods, Thomas E., 2004
Politically Incorrect Guide to American History. Washington, DC
Regnery Publishing, Inc.



QUICKBOOKS TIPS

One of the most important things a bookkeeper does for a business is the bank reconciliation. Monthly bank reconciliations help with year-end wrap-up by ensuring that all transactions are recorded properly during the course of the year. Below are tips to help reconcile your bank accounts. This feature is located in the banking tab in Quickbooks. To help make this task easier:

1. Use the undeposited account in QB to group

- receipts of cash. This makes it easier to match up all deposits to the bank statement.
2. Verify that all automatic drafts from the checking account are accounted for. Label all automatic drafts as Electronic Funds Transfer (EFT) to make it easier to locate in the reconciliation.
 3. Verify all checks are accounted for. Enter any checks that are missing.
 4. Record any bank service fee and other

- charges.
5. If your company uses a third-party payroll system, clear the automatic drafts against wages and payroll taxes. These would be entered after each payroll period through journal entries.
 6. Investigate any outstanding items if differences exist.
 7. Enter missing transactions. Reconciliation should be at '0'. Click on 'Reconcile' and print the report.

FLAT TAX VS. FAIR TAX

With the complexity of the current tax law, there is much debate between two proposals to simplify the code. They are the Flat Tax and the Fair Tax. The key features of each include:

1. The Fair Tax is a tax on consumption; the Flat Tax is a tax on income at a flat rate (Example: 17% from Steve Forbes' proposal—1996)
2. With the Flat Tax, the taxpayer would pay the tax on his gross income, which would eliminate deductions.
3. The Fair Tax would be assessed at the retail level. Thus, it would be applied only on

- items purchased.
4. The Fair Tax would also eliminate deductions and would tax the underground economy that currently works to avoid taxation. This is the economic activity that functions entirely on cash that is not reported as income.

Each of these new tax proposals has its downside:

1. The Flat Tax still taxes income, which discourages work.
2. The Fair Tax would require the repeal of the 16th Amendment (imposing of the income tax) to ensure the government will raise its revenue only with the Fair Tax.

3. In order for the Fair Tax to be 'revenue-neutral' it must be about 23%.

Despite the weaknesses of each tax, the good outweighs the bad. From a purely economic standpoint, the Fair tax is better. By not taxing work, savings, and investment, there will be greater capital formation and expanded economic activity. And there is reason to be optimistic about the future for one of these proposals to be implemented. The current state of our economy will put pressure on the government to dramatically change the current system.

Source: www.realclearmarkets.com
 May 19, 2009
 Author: John Tamny

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