

STEFFEN GROUP

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Oregon Corporate Sales Tax...

I've already received several calls from clients trying to understand the impact **House Bill 3405** will have on their businesses.

The main effects are:

- the tax due will increase at least 15 fold;
- even if you show a loss, the tax is attached to **sales not profits**.
- the minimum tax (\$150, up from \$10) also applies to all S-corporations.

So, for the privilege of carrying on or doing business within Oregon, corporations will make annual payments to the state as shown in this chart:

Obviously, most businesses will simply pass this tax increase along to their customers, so HB 3405 effectively taxes all Oregonians and anyone who buys products made in Oregon.

Our lawmakers insist this is not a sales tax, because they are not taxing individuals directly, they are taxing businesses (who must pass the cost on to individuals). Lawmakers also raised the tax on profits from 6.6% to 7.9% - a 20% increase.

If you have questions about how this change in our State tax law will affect you, call my office: (503) 873-3663.

Jerald D. Steffen
Jerald D. Steffen, CPA

*Happy 233rd
to the USA!!*

*Happy 150th
to OREGON!!*



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If Oregon sales properly reported on a return are at least:	...but less than	the <u>minimum</u> tax is now:
0	500,000	\$150
500,000	1 million	\$500
1 million	2 million	\$1,000
2 million	3 million	\$1,500
3 million	5 million	\$2,000
5 million	7 million	\$4,000
7 million	10 million	\$7,500
10 million	25 million	\$15,000
25 million	50 million	\$30,000
50 million	75 million	\$50,000
75 million	100 million	\$75,000
100 million or more	-	\$100,000

Oregon Residential Energy Tax Credit

Just a reminder to all my clients that with **prior approval**, the State of Oregon gives tax credits for those who save energy.

You can get credits for:

- Premium efficiency appliances
- Heating, ventilation and air conditioning systems
- Ground source heat pumps
- Premium efficiency water heaters
- Hybrid vehicles
- Solar and Wind systems
- Premium efficiency wood and pellet stoves

You may qualify for the credit if:

- You own your home
- You rent, but own appliances
- You are an Oregon resident

The credit only applies to original purchases of new items. And appliances marketed as Energy Star often fall below the high standards of the program, so check the Oregon Department of Energy's website if you're considering a purchase.

To claim the credit you must submit an application and receive the tax credit card before you file your taxes. Taxpayers who wait to submit their applications until tax season, will often find that backlogs at ODE prevent tax credit cards from being issued in time to file by April 15th.

Get the application you need from your dealer, contractor or technician when you buy the item(s). Keep a copy of your application. Keep the credit voucher, and keep proof of purchase (a receipt) as you will need all this paperwork in the event of an audit.

Oregon Department of Energy at :
www.oregon.gov/energy

Federal Credits for Energy Efficiency Improvements

Homeowners can get bigger tax credits for making energy efficiency improvements or installing alternative energy equipment.

"These new, expanded credits encourage homeowners to make improvements that will make their homes more energy efficient," said IRS Commissioner Doug Shulman. "People can improve their homes and save money over the long run."

The American Recovery and Reinvestment Act provides for a uniform credit of 30 percent of the cost of qualifying improvements, such as adding insulation, energy-efficient exterior windows, and energy-efficient heating and air conditioning systems. The new law replaces the old law combination available in 2007 of a 10-percent credit for certain property and a credit equal to cost up to a specified amount for other property.



The new law also raised the limit on the amount that can be claimed for improvements placed in service during 2009 and 2010 to \$1,500, instead of the \$500 lifetime limit under the old law.

In addition, the new law has increased the energy efficiency standards for building insulation, exterior windows, doors, skylights, certain central air conditioners, and natural gas, propane or oil water heaters placed in service after Feb. 17, 2009.

IRS guidance issued before the enactment of ARRA will be modified in the near future to reflect the new energy efficiency standards. In the meantime, homeowners may continue to rely on manufacturers' certifications that were provided under the old guidance and on Energy Star labels for exterior windows and skylights in determining whether property purchased before June 1, 2009, qualifies for the credit. Manufacturers should not continue to provide certifications for property that fails to meet the new standards.

The new law also **eliminates** the cap on the 30 percent tax credit for alternative energy equipment, such as solar water heaters, geothermal heat pumps and small wind turbines, installed in a home. The cap generally has been eliminated for these improvements beginning in the 2009 tax year. The IRS issued Notice 2009-41 which explains the effects of this change. This information is available online, or you can call our office.

Funding Options for Renewable Energy Power Plants

Business taxpayers who place in service facilities that produce electricity from wind and some other renewable resources can choose one of three options to fund the project: a tax credit based on the amount invested, a tax credit based on the energy produced, or a grant.

The flexibility to choose among these options was enacted as part of ARRA. Taxpayers may opt to claim the energy investment tax credit, which generally provides a 30 percent tax credit for investments in energy projects, instead of the production tax credit, which can provide a credit of up to 2.1 cents per kilowatt-hour for electricity produced from renewable sources.

Taxpayers making qualified investments that are placed in service after 2008 and before 2014 (or 2013 for wind facilities) can make an irrevocable election to claim the energy investment tax credit instead of the renewable electricity production tax credit. IRS will issue guidance explaining how to make the election.

Taxpayers also can claim a grant once the property is placed in ser-

vice instead of claiming either the energy investment tax credit or the renewable energy production tax credit. For qualified renewable energy facilities, the grant is 30 percent of the investment in the facility as long as construction begins in 2009 or 2010 and the property is placed in service before 2014 (2013 for wind facilities). The Treasury Department will issue guidance explaining how the grant works and how to apply.

Taxpayers electing to receive the grant, created by the ARRA, will not be eligible for either of the tax credits. Proceeds from the grants are not includible in the taxpayer's gross income, but the grant amount is subject to recapture if the property is disposed of or otherwise ceases to qualify.

For more information on the renewable electricity production tax credit under Section 45 see IRS Notice 2008-60 and Notice 2008-48, and for more information on the energy investment tax credit under Section 48 see Notice 2008-68 at irs.gov.

Federal Alternative Fuel Pump Credit

In the massive stimulus bill is a section on Alternative Fuel Pumps, designed to reward businesses and individuals who pay to install facilities that provide energy for alternative vehicles.

The new law increases the amounts you can claim, from 30% of the cost, to 50% of the cost. Of course there is still a cap on the credit:

- \$50,000 for commercial pumps
- \$2,000 for private pumps

The property must be placed in service in 2009 or 2010.

And while **plug-in electric vehicles** are not yet on the market, the first 200,000 buyers of such vehicles will be eligible for another \$2500 credit.

BACK TO BASICS

Financial difficulty can remind us to do the basic things well.

I heartily recommend the sound financial advice given by Dave Ramsey:



Listen free to the **7 PM** weekday broadcast on local radio **1190 KEX**, or check online resources when it fits your schedule:

daveramsey.com.





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TAX SERVICES • ACCOUNTING • PAYROLL

One hand gives... the other takes away

Even when tax bills are not as massive, or rushed as the stimulus package they can still contain self contradictory and powerless sections.

June 10, 2009 the IRS announced a
**Special Tax Break on New Car Purchases
Available in States With No Sales Tax**

because our federal lawmakers wanted to treat the citizens of Alaska, Delaware, Hawaii, Montana, New Hampshire and Oregon to the same incentives available in states that have a sales tax.

While this announcement received some play in the media, its actual benefit will be negligible in the state of Oregon. At this time the only fees charged by the state at time of purchase are **license** and **registration**. Neither of which are eligible for this tax credit.

