

STEFFEN GROUP

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Detail from *The First Thanksgiving*
by Jean Louis Gerome Ferris



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More on Energy Credits Check Tax Credit Certification Before You Buy

With the ongoing emphasis on alternative energy and conservation, several credits are available to taxpayers, but you must follow the rules to qualify.

By spending as little as \$5,000 before the end of the year on eligible energy-saving improvements to their principal residence, a homeowner can save as much as \$1,500 on their 2009 federal income tax return. This year's Recovery Act expanded two energy tax credits: the **nonbusiness** energy property credit and the **residential** energy efficient property credit.

Nonbusiness Energy Property Credit
This credit equals 30 percent of what a homeowner spends on eligible energy-saving improvements, up to a maximum tax credit of **\$1,500** for the combined 2009 and 2010 tax years. The cost of certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass all qualify, along **with labor costs** for installing these items.

In addition, the cost of energy-efficient windows and skylights, energy-efficient doors, qualifying insulation and certain roofs also qualify for the credit, though the cost of installing these items **does not** qualify.

Due to limits based on tax liability, other credits claimed by a particular taxpayer and other factors, actual tax savings will vary. These tax savings are on top of any energy savings that may result.

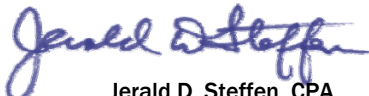
Residential Efficient Property Credit
Homeowners going green should also check out a second tax credit designed to spur investment in alternative energy

equipment. The residential energy efficient property credit, equals 30 percent of what a homeowner spends on qualifying property such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines, and fuel cell property. Generally, **labor costs are included** when calculating this credit. Also, **no cap** exists on the amount of credit available except in the case of fuel cell property. One Hollywood star paid \$100,000 for solar panels and received a \$30,000 tax credit.

Not all energy-efficient improvements qualify for these tax credits. For that reason, homeowners should **check the manufacturer's tax credit certification statement before purchasing** or installing any of these improvements. The certification statement can usually be found on the manufacturer's website or with the product packaging. Normally, a homeowner can rely on this certification.

The IRS cautions that the manufacturer's certification is different from the Department of Energy's Energy Star label, and **not all** Energy Star labeled products qualify for the tax credits.

Eligible homeowners can **claim both** of these credits when they file their 2009 federal income tax return. Because these are credits, not deductions, they increase a taxpayer's refund or reduce the tax he or she owes. Oregon also offers several energy incentives.


Jerald D. Steffen, CPA

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Late Breaking changes for 2009 tax returns

Earlier this month, President Obama signed the Workers, Homeowners and Businesses Assistance Act of 2009. This Act extends unemployment benefits another 20 weeks for Oregonians, expands the NOL carryback provision to losses incurred for 2009, and expands the First-Time Homebuyers Credit.

Among these, the **unemployment benefit extension** is the most straightforward. It extends benefits to 20 weeks for the states whose unemployment rates are above 8.5%.

The expansion of the **Net Operating Loss (NOL) carryback** is designed to help businesses with losses in 2009 recover taxes paid in prior years. This same law was in effect for 2008 losses, except the 2008 law limited this carryback to small businesses with less than \$10M in revenues. The new law disregards the revenue limitation and will allow the loss to be carried

back to five years instead of the normal two years.

The **First Time Homebuyers Credit**, which was set to expire on November 30, 2009, has been extended to all people who have signed a binding **contract by April 30, 2010** and close on the house before June 30, 2010. The amount remains at \$8,000 (\$4,000 for married filing separate taxpayers). This credit is also expanded to **benefit current homeowners** who wish to buy a new residence. The credit for these homebuyers is \$6,500 (\$3,250 for married filing separate taxpayers). The Act also increased the income limitations and this credit is **refundable** if you don't owe any taxes.

Please stop in and see us or give us a call if you have any questions about the tax provisions of this Act.

Congress Mandates Electronic Filing

November 5, 2009
By Roger Russell, Senior Editor, Accounting Today

Washington, D.C. - Congress has passed a bill on unemployment that would require electronic filing by all return preparers "except those who neither prepare nor reasonably expect to prepare ten or more individual income tax returns in a calendar year." The measure is effective for returns prepared after Dec. 31, 2010.

The term "individual income tax return" includes returns for estates and trusts as well as individuals.

Benson Goldstein, senior technical manager at the American Institute of CPAs, said the bill was in the form of a Senate amendment to H.R. 3548, which initially was only concerned with unemployment benefits. "The Senate version retained the unemployment focus of the House, plus added a number of general tax provisions," he said.

Under the language of the provision, a preparer who expected to complete less than 10 returns but ended up doing 15, probably wouldn't have a problem for one tax season, according to Goldstein...



I do recommend and assign Thursday the 26th day of November next to be devoted by the People of these States to the service of that great and glorious Being, who is the beneficent Author of all the good that was, that is, or that will be—That we may then all unite in rendering unto Him our sincere and humble thanks—for His kind care and protection of the People of this Country . . . that we may then unite in most humbly offering our prayers and supplications to the great Lord and Ruler of Nations and beseech Him to pardon our national and other transgressions . . .

George Washington, 1789
The first national day of Thanksgiving
proclaimed under our current Constitution

The law now requires anyone who prepares more than 10 returns per year to file them electronically. We already file 94% of personal returns by e-file, so this office is ready for the change, but 2009 will be the last year we can offer you the choice to paper file.



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Free Security Solution

Hello everyone. It is good to have a chance to talk with you again. I'm still in Cincinnati overseeing attraction technology for the Creation Museum. But Jerry and Jon have let me hijack this section of the newsletter to say "Hi,"



and keep you up to date on some important technology developments. This month I want to address our old friend ANTI-VIRUS. We all wish we didn't need it but the threat of damaged, stolen, or destroyed information is real and increasing everyday. However, Bill and the boys at Microsoft did something major last month to give us a new weapon in our arsenal...and its **FREE** for **HOME USE!** (Major thank you Bill!)

Microsoft calls their new product Security Essentials and we finally have a first class "**totally free**" (as long as your running Windows XP or newer) antivirus solution. I've been running it on all our home PCs and watching the reviews from

the IT security industry over the past six weeks and Security Essentials is holding up great. Make sure to uninstall any previous, old, outdated antivirus software before you install it. MS Security Essentials is very simple and straight forward, its not the fastest scanner on the market, but for what it lacks in speed it more than makes up for in reliability.

One of the major avenues for virus infection we've seen is for it to follow you to work from home because home systems usually aren't as well protected as those in your offices. Get your copy of MS Security Essentials and protect every system that doesn't have current AV protection...your kids laptop...your mom's home system, all of them. Let us know if you need help. (Email questions or comments to james@steffengroup.com)

Until next month,



James Steffen

www.microsoft.com/Security_Essentials

Operating System: [Genuine](#) Windows XP (Service Pack 2 or SP3); Windows Vista (Gold, Service Pack 1, or Service Pack 2); Windows 7

- For Windows XP, a PC with a CPU clock speed of 500 MHz or higher, and 256 MB RAM or higher.
- For Windows Vista and Windows 7, a PC with a CPU clock speed of 1.0 GHz or higher, and 1 GB RAM or higher.
- VGA display of 800 x 600 or higher.
- 140 MB of available hard disk space.
- An Internet connection is required for installation and to download the latest virus and spyware definitions for Microsoft Security Essentials.
- Internet Browser: Windows Internet Explorer 6.0 or later or Mozilla Firefox 2.0 or later.
- Microsoft Security Essentials also supports Windows XP Mode in Windows 7. For more information, see the [system requirements](#) for Windows XP Mode in Windows 7



Quickbooks 09 User Alert

QuickBooks 2009 Release 9 (R9) Won't Be Backwards Compatible with Earlier Releases of the 2009 Software.

Intuit QuickBooks 2009 R9, going out live as an Automatic Update on December 1, has important improvements and we strongly recommend that you use the update.

However, **unlike other updates in recent history**, this update will not be backwards compatible with earlier releases of QuickBooks 2009. This means everyone accessing this data file must be on the updated (R9) version.

Why? QuickBooks 2009 R9 includes a patch to the underlying QuickBooks database that further improves data stability in significant ways. Specifically, QuickBooks 2009 R9 will take advantage of a new Sybase SA10 patch.

While QuickBooks is **already remarkably stable**, they estimate this patch will remove many remaining data issues in whole or in part. The update will also **improve speed** of execution for heavy users, as well as improve performance in selected reports. Beyond the database updates, the release addresses a large number of specific issues. The full range of benefits of QuickBooks 2009 R9 will be identified in the Release Notes.

Our office will be able to handle both versions, most easily by using the accountants' copy function in the software. Please call if you have problems or concerns when the update is installed.

TIME TO UPGRADE?

We have upgraded our office to QuickBooks 2010. and we maintain copies of older versions to assist our clients. But if you currently use a version older than 2006 the benefits of the newer software will justify the cost of upgrading.

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Jonathan D. Haynes Jr., CPA

We are please to announce that our new CPA, Jon Haynes, has completed the Certified QuickBooks ProAdvisor certification course. This course consists of training and a rigorous exam that touches all areas of QuickBooks; from set-up to completing year-end procedures.

By completing the course and exam, Jon will give us another tool to help you and your business to be more efficient with the use of the software. By increasing the efficiency of the software, this will give you more time to run your business.



More Documentation Required for Home Purchases

Because of the abuse of the new homebuyers credit, the IRS has issued new rules requiring that documents be attached to the returns of anyone claiming the credit. Required now are: a copy of the **final closing settlement** (i.e. HUD-1 form) showing the signatures of all parties; a copy of a **recent mortgage statement**; and, for newly constructed homes, a copy of the **occupancy permit**. To prove this is where you live, they are also requiring **2 items that show this residence as your home address**, such as driver's license or paystub or bank statement or automobile registration.

Since the IRS is essentially handing out \$8,000 checks, I expect it is reasonable to ask for proof you are qualified, but with the additional documentation attached, you cannot file electronically.

Over \$532M Wrongly Claimed for Education Tax Credits

According to a recent report by the Treasury Inspector General for Tax Administration, more than 200,000 tax payers erroneously claimed Hope Credits for higher education in 2006. The total wrongly credited exceeds \$300 million. While in some of this amount can be attributed to fraud, many people were simply confused by the complicated rules. Some of the taxpayers who erroneously claimed the Hope Credit were even IRS employees!

Individuals were not the only ones confused. Colleges made mistakes too. TIGTA performed a computer analysis of all Forms 1098-T tuition statements issued to students, from 2005 through 2007. The form includes a box in which the educational institution may show the amount of tuition paid by the student, which is the figure that taxpayers and the IRS use in order to determine the amount of the credit. TIGTA found that the box in which the amount of tuition paid may be shown was blank on 80 percent of the Forms 1098-T it reviewed. That is despite the 8.9 million hours that schools expend each year completing and mailing these 1098-T Forms to students.

"I am concerned about the IRS's inability to administer the credit effectively," said TIGTA Inspector General J. Russell George in a statement. Since the IRS does not use 1098-Ts to match or confirm the claims they don't even have all the information to evaluate an individual claim until they audit the taxpayer.

In light of these reports, it is even more important for taxpayers to have someone on their side who knows the rules and can correctly apply them to each situation. If you are a college student, or have a dependant that may be eligible to claim the American Opportunity Tax Credit, we are ready to help you file your 2009 tax returns.



Peanuts characters are © Charles M. Schulz

FTC Red Flags Rule Delayed Until June 1, 2010

The Federal Trade Commission has announced it will delay enforcement of its "Red Flags" Rule for financial institutions and creditors subject to the FTC until June 1, 2010. The action was in response to a request from Congress, which was encouraged to pursue the delay by numerous organizations, including the AICPA and many state CPA societies. The AICPA is continuing to seek an exemption for CPAs and CPA firms before the rule takes effect next year. The "Red Flags" rule requires "creditors" or "financial institutions" with covered accounts to have programs to assist in identifying a potential identity theft. Enforcement of the rule was scheduled to have become effective on Sunday, November 1. If you have questions about application of these red flag rules to your business. Please give us a call.