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## MONTHLY NEWSLETTER AUGUST 2009

### FEDERAL TAX NEWS:

#### Cash For Clunkers Program:

If you have been considering a new car purchase but fear doing so during this economic downturn, the recent Cash For Clunkers Program may be just the push you need. If you qualify, the new "Cash For Clunkers" legislation provides a tax-free discount on the purchase of either \$3,500 or \$4,500 depending on the difference in miles per gallon ("mpg") savings and the type of vehicle traded in and purchased.

#### Here's an overview:

##### Passenger Vehicles:

Passenger vehicles (beginning with 1984 model years) with a rating of 18 mpgs or less, that are traded in for new passenger vehicles with a rating of 22 mpgs or more are entitled to a \$3,500 discount. If the difference in mpgs is 10 mpgs or more, the discount increases to \$4,500.

##### SUV/Light Trucks/Vans:

SUV/light trucks/vans (beginning with 1984 model years) with a rating of 16 mpgs or less, that are traded in for new SUV/light truck with a rating of 18 mpgs or more are entitled to a \$3,500 discount. If the difference in mpgs is 5 mpgs or more, the discount increases to \$4,500.

##### Large Light Duty Trucks:

Large light duty trucks (beginning with 1984 model years) with a rating of 14 mpgs or less, that are traded in for new large light duty truck with a rating of 15 mpgs or more are entitled to a \$3,500 discount. If the difference in mpgs is 2 mpgs or more, the discount increases to \$4,500.

##### Commercial Trucks:

A commercial truck with a 2001 or older model year, traded in for a new commercial truck is entitled to a \$3,500 discount.

The discount is taken right off the price of the new vehicle and the dealers are required to scrap the older vehicles. You can qualify for the discount if you lease a qualified vehicle for a period of at least five years.

### Other Federal Tax News:

The housing allowance for ministers is subject to self-employment tax and the IRS is stepping up audits on this issue.

Charitable trusts that buy securities on margin are subject to unrelated business tax on interest, dividends & profit (on the sale of securities).

Having a parent co-sign your 1st home mortgage will not nix the homebuyer \$8,000 credit, IRS says privately.

LLC losses are not passive if owners can satisfy 1 of 7 tests to show they materially participated in the LLC's activities.

Tax Court, in *Senulis*, ruled that an employee may deduct living expenses while away from home more than 1 year (meals, lodging and travel).

If a charitable group reimburses volunteers more than 14 cents per mile for driving, the excess = taxable income to volunteers.

IRS rules privately that charities, which reimburse actual costs of volunteers, needn't issue 1099s to them.

By 9/8/09 Federal contractors will be required to use the Social Security database to verify a person's eligibility to work in the US.

Health Care initiative will penalize any individual who does not sign up for coverage. Senate penalty = 50% x premium/House = 2% x adjusted gross income,

GAO says proposed Health Care legislation will increase, not decrease, health care costs.

Health Care penalty tax under consideration = 8% x employer payroll for employers who do not participate. Employers with payrolls under \$250,000 would be exempt from health care penalty tax of 8%.

**NEW JERSEY NEWS:**

In spite of one of the most severe economic downturns to face New Jersey since the Great Depression, our out of touch politicians have enacted legislation that will dramatically increase individual income tax rates, effective July 1, 2009. Here is an overview of the increases:

Taxable income over \$400,000 - rate is 8%

Taxable income over \$500,000 - \$1 million - rate is 10.25%

Taxable income over \$1 million - rate is 10.75%.

Evidently, the option of decrease in spending does not sit well with our state government. Expect to see a slow exodus of New Jersey's best, brightest and most successful to contiguous states such as Pennsylvania and Connecticut, whose rates are less than 1/2 that of New Jersey's.

MORE INFORMATION AVAILABLE AT:

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