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...improving the financial lives  
of our clients, our staff  
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Dear Clients and Friends:

This has been a tumultuous year. Both individuals and businesses have grappled with the economic downturn and a changing tax landscape. Following close on the heels of the “bailout law” in 2008—the Emergency Economic Stabilization Act of 2008—Congress passed a new economic stimulus law earlier this year. The American Recovery and Reinvestment Act of 2009 authorizes new tax breaks for certain homebuyers and purchasers of vehicles, preserves bigger write-offs for acquiring business assets and enhances higher education credits—just to name a few of the key provisions. Finally, the newly enacted Worker, Homeownership, and Business Assistance Act of 2009 extends and enhances several key tax breaks.

**The tax moves you make between now and the end of the year can have a substantial impact on your overall tax liability for 2009.**

This new legislation is likely to have an impact on year-end tax planning. In addition, other recently enacted laws, rulings and regulations could affect your tax situation this year. Furthermore, you may be able to take advantage of traditional year-end tax-planning techniques for yourself, your family and your business.

Keeping all this in mind, we have prepared the following 2009 Year-End Tax-Planning Letter. Throughout this letter, we have highlighted various year-end tax strategies that are generally applicable to individual and business taxpayers.

For convenience, the letter has been divided into the following three sections:

- \* Individual Tax Planning
- \* Business Tax Planning
- \* Financial Tax Planning

Be aware that the year-end planning ideas discussed within this letter are general in nature and are intended only as an overview. We suggest that you review your situation with an experienced tax professional before you take any action. Contact Al DeLeon ([allen@deleonandstang.com](mailto:allen@deleonandstang.com)), Rich Stang ([rich@deleonandstang.com](mailto:rich@deleonandstang.com)) or a member of our Tax Department at 301-948-9825 if you have any questions or to schedule an appointment to discuss your tax planning needs.

If you believe our services are worthy of your testimony, we would be grateful if you would connect us with your friends and family whom you believe might also benefit from our services.

**DeLeon & Stang, CPAs and Advisors**

## INDIVIDUAL TAX PLANNING

### Charitable Contributions

As a general rule, you may deduct the full amount of monetary donations made to qualified charitable organizations. If you donate appreciated property held for more than one year, you can generally deduct the fair-market value of the property.

Year-end strategy: Step up charitable gift-giving at the end of the year. If you use a credit card to pay for donations before January 1, 2010, you can deduct the full amount on your 2009 return—even if you don't actually pay off the credit card charge until 2010.

Be aware that Congress recently tightened the substantiation rules for monetary gifts. For instance, no deduction is allowed unless you maintain a record of the contribution, such as a bank statement, receipt or written communication from the charity. The written communication must show the charity's name, the date of the contribution and the amount of the donation.

Tip: Deductions for charitable gifts of clothing and household goods are generally limited to items in "good condition." However, if you obtain an appraisal of more than \$500 for a single item, the amount may be deducted, regardless of its condition.

### Alternative Minimum Tax

The alternative minimum tax (AMT) is a special tax return calculation involving certain "tax preference" items, technical adjustments and an exemption amount based on your filing status. However, the exemption amounts are phased out for high-income taxpayers.

In effect, if the resulting AMT liability exceeds your regular income tax liability, you must pay the higher of the two. The AMT rate is 26% for the first \$175,000 of AMT income; 28% on amounts above \$175,000.

Year-end strategy: Have a tax professional calculate your potential AMT liability for 2009. Depending on your situation, it may make sense to shift tax preference items to 2010 to avoid or reduce AMT liability this year.

Note that Congress has "patched" the AMT several times in recent years by slightly increasing the exemption amounts. The exemption amounts for this decade are shown below.

Filing status	2000	2001–2002	2003–2005	2006	2007	2008	2009
Joint filers	\$45,000	\$49,000	\$58,000	\$62,550	\$66,250	\$69,950	\$70,950
Unmarried filers	\$33,750	\$35,750	\$40,250	\$42,500	\$44,350	\$46,200	\$46,700

Tip: If you are facing AMT liability for 2009 and expect to be in a high regular income tax bracket next year, you might accelerate additional income into 2009. The extra income will be taxed at either the 26% or 28% AMT rate.

## Higher Education

If you are sending a child to college or grad school, the tax law provides some tax relief through credits and deductions. However, be aware that these tax benefits are phased out for high-income taxpayers.

Year-end strategy: Generally, you're entitled to the tax benefits on your 2009 return for amounts paid or incurred this year. For instance, if you pay the tuition bill for the spring 2010 semester in December, you may qualify for a credit or deduction in 2009.

Here's a brief summary of the two main tax breaks for higher education:

1. Tax credits: You may qualify for either one of two credits. Under the revamped American Opportunity Tax Credit (formerly called the Hope credit), the maximum credit for 2009 is \$2,500 (up from \$1,800 for 2008). The credit begins to phase out for joint filers with a modified adjusted gross income (MAGI) of \$160,000; \$80,000 for single filers. The maximum Lifetime Learning credit of \$2,000 begins to phase for joint filers with an MAGI of \$100,000; \$50,000 for single filers.

2. Tuition deduction: The maximum deduction for 2009 is \$4,000 of qualified tuition and related fees for joint filers with an MAGI of \$130,000 or less; \$65,000 for single filers. The maximum deduction is \$2,000 for joint filers with an MAGI up to \$160,000; \$80,000 for single filers.

Tip: The tax law also allows you to deduct up to \$2,500 of annual interest paid on student loans. For 2009, the deduction begins to phase out for joint filers with an MAGI of \$120,000; \$60,000 for single filers.

## Home Buyer Tax Credit

The White House has extended and expanded the homebuyer tax credit through June 30, 2010, as long as a binding sales contract is signed no later than April 30, 2010. First-time homebuyers and non-first-time homebuyers are now eligible for the credit. First time homebuyers are eligible for the \$8,000 tax credit and non-first time homebuyers are eligible for a \$6,500 tax credit. Highlights of the expanded homebuyer tax credit are:

- \*the tax credit applies to homes purchased after November 6, 2009 and before July 1, 2010
- \*first-time homebuyers and non-first-time homebuyers are eligible
- \*income limits are increased to \$125,000 for single taxpayers and \$225,000 for married taxpayers for the full credit
- \*military personnel on extended duty outside the U.S. get an extra year to buy a house and claim the credit

To qualify for the first-time homebuyer tax credit, you must be a homebuyer who:

- \*did not own a primary residence during the three years prior to the purchase
- \*signs a binding sales contract before May 1, 2010, and closes before July 1, 2010

- \*is a citizen, or a resident alien as defined by the IRS
- \*did not buy the home from a related person who is an ancestor or descendant (spouse, parent, grandparent, child, grandchild, etc.)
- \*owns and lives in the home for at least three years
- \*buy a home for less than \$800,000

To be eligible for the non-first-time homebuyer tax credit, you must meet all of the first-time homebuyer eligibility requirements except for the rules about previous homeownership and purchase dates. In place of those rules, you must:

- \*have owned and lived in your previous home as your principal residence for at least five consecutive years of the eight years before the purchase
- \*buy a principal residence in the U.S. after November 6, 2009, sign a binding sales contract before May 1, 2010, and close before July 1, 2010.

### **New-vehicle Deduction**

The new economic stimulus law includes a special tax provision designed to generate sales of motor vehicles. It applies to qualified vehicles purchased after February 16, 2009.

Year-end strategy: If you purchase the vehicle before 2010, you may currently deduct the sales and excise taxes attributable to the first \$49,500 of the vehicle's price. But the deduction begins to phase out if your MAGI exceeds \$250,000 for joint filers; \$125,000 for single filers.

For this purpose, a "qualified vehicle" includes passenger cars, light trucks, motorcycles and sport utility vehicles (SUVs) weighing no more than 8,500 gross pounds. Motor homes are also eligible for this tax break.

The deduction can be claimed only by the initial purchaser of the vehicle. In addition, it is not available for used vehicles, only new ones.

Tip: The new-vehicle deduction must be coordinated with the existing optional deduction for sales tax. Essentially, you can claim one of these tax breaks, but not the other.

## **Kiddie Tax**

Under the “kiddie tax,” unearned income of a child who has not reached a specified age is taxed at the top marginal tax rate of the child’s parents to the extent it exceeds an annual threshold. The threshold for 2009 is \$1,900 (up from \$1,800 for 2008).

Due to a recent tax law change, the kiddie tax currently applies to a child under age 19 (age 24 for children who are full-time students) if the child does not have earned income equal to half of his or her annual support. Thus, this tax affects a wide range of families.

Year-end strategy: Try to minimize your child’s unearned income in 2009. For instance, you might have the child shift investments into growth stock or U.S. government obligations where taxable income is deferred.

Another possible option is to invest in tax-free municipal bonds or municipal bond funds. Naturally, you should consider all the relevant economic factors, not just taxes.

Tip: The kiddie tax may also dilute the benefit of the zero percent capital gains rate available to taxpayers in the lower income tax brackets (more on this later).

## **Estimated Tax**

The IRS may assess an “estimated tax penalty” if you do not pay enough tax during the year through quarterly installments or income tax withholding, or a combination.

Year-end strategy: Avoid a penalty under one of three “safe harbor” rules. Typically, you may qualify by adjusting your withholding before the end of the year. The safe harbor exceptions are as follows:

1. Your annual payments equal at least 90% of your current liability.
2. Your annual payments equal at least 100% of the prior year’s tax liability (110% if your AGI for the prior year exceeded \$150,000).
3. You make installments on a current basis under an “annualized income” method. This method is available to certain taxpayers who receive or accrue most of their annual income in a short span (e.g., from holiday sales).

If you make a payroll adjustment after clearing the Social Security wage base (\$106,800 for 2009), you can increase withholding with little or no reduction in your actual take-home pay.

Tip: The economic stimulus law creates a special exception for qualified small-business owners. If you run a small business, you may be able to base payments on 90% of the prior year’s tax liability (more on this later).

## **Miscellaneous**

\*When state law permits, you can consolidate outstanding personal debts into a home equity debt. Interest on personal debts is not deductible, but you may deduct mortgage interest paid on the first \$100,000 of home equity debt, no matter how the proceeds are used. Caution: The debt must be secured by your home, so use this technique carefully.

\*Miscellaneous expenses are deductible to the extent that the annual total exceeds 2% of your AGI. If possible, pay these expenses at year-end to maximize your deduction for 2009.

\*You may claim a state sales tax deduction in lieu of deducting state income tax on your 2009 return. The sales tax deduction is based on a state-by-state table. Keep records of “big-ticket items,” such as cars and boats that can be added to the table amount.

\*You can deduct your annual unreimbursed medical expenses over 7.5% of your AGI. If you are near the 7.5% mark or already over it, schedule nonemergency medical and dental visits before the end of the year.

\*Generally, you may claim a dependency exemption of \$3,650 in 2009 for a child under age 19 (or a full-time student under age 24) if you provide more than half of his or her annual support. It doesn't matter how much taxable income the child receives. Note: The tax benefits of personal exemptions are phased out for high-income taxpayers.

\*Take advantage of the energy tax credit for installations in your home. The new economic stimulus law enhanced the residential energy credit for installations in 2009.

\*If you qualified as a “first-time homebuyer,” the economic stimulus law allowed you to claim a credit of up to \$8,000 for a home purchased before December 1, 2009. However, the credit is phased out for certain high-income taxpayers. Update: The new law enacted in November allows more taxpayers to qualify for a revised credit for purchases made before May 1, 2010 (July 1, 2010, if a binding contract exists on May 1, 2010).

## **BUSINESS TAX PLANNING**

### **Section 179 Deductions**

Section 179 of the tax code allows your business to “expense” (i.e., currently deduct) the cost of qualified assets within an annual limit (although the deduction begins to phase out if a certain dollar threshold is reached). The deduction was enhanced for 2008 by the Economic Stimulus Act of 2008.

Year-end strategy: The new economic stimulus law preserves the enhanced deduction through the end of 2009. Therefore, when it makes sense, buy qualified business assets before 2010.

Under the 2009 law, your business can currently deduct up to \$250,000 of qualified assets placed in service this year. Prior to 2008, the limit was only \$125,000. In addition, the phase-out

threshold has been increased to \$800,000 (up from \$500,000). The limits for recent years are shown below.

<b>Tax year</b>	<b>Maximum deduction</b>	<b>Phase-out threshold</b>
2002	\$24,000	\$200,000
2003	\$100,000	\$400,000
2004	\$102,000	\$410,000
2005	\$105,000	\$420,000
2006	\$108,000	\$430,000
2007	\$125,000	\$500,000
2008	\$250,000	\$800,000
2009	\$250,000	\$800,000

Tip: Despite these increases, the Section 179 deduction still cannot exceed your taxable income from the business.

### **Depreciation Deductions**

The new economic stimulus law also extends the “bonus depreciation” deduction through the end of 2009.

Year-end strategy: Cash in on this special tax provision before year-end. Under the new law, a business may claim a 50% “bonus depreciation” deduction for qualified assets—property with a cost-recovery period of 20 years or less and certain software, leasehold improvements and water utility property—if they are placed in service before 2010 (2011 for property with a cost recovery period of ten years or longer and certain other property).

Furthermore, a business is allowed to claim bonus depreciation deductions in conjunction with Section 179 deductions and regular depreciation deductions under the Modified Accelerated Cost Recovery System (MACRS).

Note that MACRS deductions are generally reduced if the cost of business assets (other than real estate) placed in service during the last quarter of the year (i.e., October 1 through December 31) exceeds 40% of the cost of assets placed in service during the entire year.

Tip: You might postpone purchases to 2010 if you would otherwise trigger this tax rule for MACRS deductions. But business assets expensed under Section 179 are exempt from the calculation.

### **Business Bad Debts**

Due to this year’s economic downturn, you may have had difficulty obtaining payment from some of your clients or customers.

Year-end strategy: Salvage some tax benefits. If you're unable to collect, you may be able to write off an unpaid debt as a business bad debt.

As a general rule, business bad debts are deducted from income in the year they become worthless. To qualify as a business bad debt, a loan or advance must have been created or acquired in connection with your business or result in a loss to your business if it cannot be repaid.

Tip: Keep detailed records of collection efforts, including letters, phone calls, e-mails and collection agency activities. This documentation can help support deductions based on the worthlessness of the debts.

### **New Estimated Tax Safe Harbor**

If you're a sole proprietor or run a small, unincorporated business, you must pay quarterly installments of estimated tax during the year. You could be liable for an estimated tax penalty if you don't pay at least 90% of your current tax liability or 100% of the prior year's tax liability (110% if your AGI for the prior year exceeded \$150,000).

Year-end strategy: Take advantage of a new safe harbor provision for 2009 in the economic stimulus law. If your AGI was less than \$500,000 in 2008 and more than 50% of the previous year's income was derived from small-business activities, you can base payments on 90% of your 2008 tax liability (instead of the usual 100% figure).

For this purpose, a "small business" is defined as a business with an average number of fewer than 500 employees. The new law change is expected to benefit many self-employed individuals.

Tip: Even if you don't qualify under this new safe harbor rule, you can avoid an estimated tax penalty if the amount paid for the current year comes to 90% of the tax due on your "annualized income." This exception may apply if you receive most of your income from seasonal sales.

### **Work Opportunity Tax Credit**

The tax law provides a Work Opportunity Tax Credit (WOTC) to employers who hire workers from certain "target" groups. The WOTC generally equals 40% of the first \$6,000 of wages paid to a qualified worker.

Generally, qualified wages consist of wages attributable to work by the target group member during the one-year period beginning with the day he or she begins working for the employer.

Year-end strategy: Hire qualified workers before the end of the year. For instance, if you pay a worker from a target group at least \$6,000 in wages between now and the end of the year, you can claim the maximum \$2,400 credit for the worker.

The new economic stimulus law has added two more groups for credit eligibility. For workers hired and starting work in 2009 and 2010, the WOTC covers unemployed veterans and "disconnected youth" between the ages of 16 and 24.

Tip: The WOTC cannot be claimed without obtaining proper certification. Contact a professional adviser for more details.

## **Miscellaneous**

\*Purchase routine business supplies before the end of the year. Your company can generally deduct the cost in 2009, even if the supplies are not used until next year.

\*Any loss claimed by an S corporation shareholder is limited to the basis in the stock plus outstanding debt. Thus, shareholders might make a capital contribution or lend money to the corporation before year-end to increase the basis for loss deduction purposes.

\*Your company can deduct 100% of its business travel costs and 50% of its qualified entertainment and meal expenses. To increase deductions for 2009, you might move up trips and events initially planned for early in 2010. Note that you can deduct 100% of the cost of a holiday party for the entire staff.

\*If the cost of your goods is rising, consider a switch to the LIFO (last in, first out) method of inventory accounting. The change can provide in a larger deduction for the cost of goods sold. This will result in a lower taxable income for your company.

\*Owners of commercial buildings may benefit from making energy-efficient improvements this year. The improvements must be certified as meeting certain environmental standards.

\*The new economic stimulus law generally requires employers to subsidize continued health insurance benefits for workers fired or laid off in 2009. Recoup your costs through a special payroll tax credit or reduced withholding deposits.

\*If you operate an accrual basis-company, determine employee bonuses before the end of the year. Your company may deduct the bonuses in 2009 if they are paid before March 15, 2010. Exception: This rule does not apply to bonuses paid to majority shareholders of a C corporation or certain owners of an S corporation or a personal service corporation.

\*Repairs made by your company before year-end are deductible on its 2009 return. However, capital improvements to the business premises must be capitalized. Try to implement separate plans for repairs and major renovations.

\*Arrange charitable donations before 2010. Deductions are generally limited to 10% of a corporation's taxable income, but any excess may be carried over for up to five years.

\* Take advantage of an extended carryback period for net operating losses (NOLs). Under the new law enacted in November, a business may carry back an NOL incurred in 2008 or 2009 for up to five years.

## FINANCIAL TAX PLANNING

### Capital Gains and Losses

For tax purposes, capital gains and losses are used to offset each other. However, any excess capital loss can also offset up to \$3,000 of high-taxed ordinary income in 2009. The remainder is carried over to next year. If a gain qualifies as long-term capital gain (i.e., you have owned the asset for more than a year), the maximum tax rate on the gain is normally 15% (5% for low-income taxpayers).

Year-end strategy: When it makes economic sense, “time” capital gains and losses. For example, if you have already realized capital gains in 2009, you might realize capital losses at year-end to absorb those gains. Similarly, if you have realized capital losses in 2009, gains realized at year-end can offset those losses.

For taxpayers in the regular 10% or 15% tax brackets, the maximum tax rate for long-term capital gains of 5% is reduced to 0%. Even taxpayers in higher tax brackets may benefit from the 0% rate on a portion of their long-term capital gain.

Tip: Depending on your situation, you might have children in low tax brackets sell securities to realize long-term capital gain in 2009. This tax break is scheduled to expire after 2010.

### 401(k) Plans

A 401(k) plan allows you to allocate a portion of your salary to an account where the funds can grow on a tax-deferred basis. In addition, your company may provide matching contributions based on a percentage of your salary.

Year-end strategy: Adjust your 401(k) plan contributions to increase your retirement nest egg. For instance, you might defer more dollars to your 401(k) account after you clear the 2009 Social Security wage base of \$106,800. This will result in little or no reduction in your take-home pay.

As with other tax-qualified retirement plans, a 401(k) plan must meet strict nondiscrimination requirements to maintain its tax-favored status. Furthermore, there is an annual dollar cap on elective deferrals. For 2009, you can defer a maximum of \$16,500 to your account.

Tip: If you’re age 50 or over, you can add a “catch-up contribution” of \$5,500. Thus, the total maximum annual deferral for taxpayers age 50 or over is \$22,000.

## **IRA Contributions**

There are two main types of Individual Retirement Accounts (IRAs) designed for retirement savings: traditional IRAs and Roth IRAs.

1. Traditional IRAs: Contributions are tax deductible unless you are an “active participant” in an employer-sponsored retirement plan and your MAGI exceeds a certain level. For 2009, deductions are phased out for an MAGI between \$89,000 and \$109,000 for joint filers; \$55,000 and \$65,000 for single filers. If your spouse is an active participant and you are not, the deduction is phased out for an MAGI between \$166,000 and \$176,000.

The maximum IRA contribution for 2009 is \$5,000. Plus, if you are 50 years of age or older, you can make an extra “catch-up” contribution of \$1,000.

2. Roth IRAs: Contributions are not tax deductible, but withdrawals after five years may be tax free. To qualify, distributions must be received after age 59½, upon death or disability or to pay first-time home-buyer expenses (up to a lifetime limit of \$10,000). The ability to contribute to a Roth IRA for 2009 is phased out for joint filers with an MAGI between \$166,000 and \$176,000; \$105,000 and \$120,000 for single filers.

The contribution limits for Roth IRAs are the same as for traditional IRAs. If you choose, you may allocate contributions to both types of IRAs, up to the total annual limit.

Tip: The deadline to make IRA contributions for 2009 is your tax return due date. Nevertheless, you can boost retirement savings by contributing sooner. This provides more time for contributions to grow on a tax-deferred basis.

## **Roth IRA Conversions**

If it suits your purposes, you may be able to convert a traditional IRA into a Roth IRA. For instance, you might convert to a Roth to secure future tax-free distributions. However, you can convert in 2009 only if your AGI is \$100,000 or less. The tax on a conversion is based on your account balance on the last day of the previous tax year.

Year-end strategy: Wait until 2010 to convert. Due to a recent tax law change, the \$100,000-of-AGI barrier will be removed next year. This will provide a new opportunity for high-income taxpayers.

Furthermore, if you convert to a Roth in 2010, the resulting tax liability may be spread out over the following two years—2011 and 2012.

Tip: When it is appropriate, you might undo a Roth IRA conversion by recharacterizing the Roth into a traditional IRA. The deadline for undoing a 2009 Roth IRA conversion is April 15, 2010 (October 15, 2010, if you elect to take a filing extension for your 2009 return).

## Required Minimum Distributions

Normally, you must take required minimum distributions (RMDs) from traditional IRAs and qualified retirement plans after you turn age 70½. If you turn 70½ in the current year, you have until April 1 of the following year to take the RMD. Otherwise, distributions must be made by December 31.

Year-end strategy: Skip the RMD this year if you don't need the cash. Under a recent tax law change, this requirement has been suspended for the 2009 tax year for IRAs and defined-contribution plans like 401(k)s.

In other words, if you turned age 70½ this year, you do not have to take an RMD by April 1, 2010. However, you still must arrange a distribution for the 2010 tax year by December 31, 2010.

Tip: The tax-law waiver for 2009 does not apply to defined-benefit plans like traditional pension plans. Participants in these plans still must take an RMD before January 1, 2010.

## Estate-tax Planning

Culminating a decade of change, the top federal estate-tax rate has been reduced to 45% for 2009, with an effective estate-tax exemption of \$3.5 million. Significantly, the estate tax is scheduled to be completely repealed in 2010. However, the tax will be revived in 2011 with a top 55% rate and only a \$1 million effective exemption, unless new legislation is enacted. See the chart below for the progression after the law was changed in 2001.

Year	Top estate-tax rate	Effective exemption amount
2002	50%	\$1.0 million
2003	49%	\$1.0 million
2004	48%	\$1.5 million
2005	47%	\$1.5 million
2006	46%	\$2.0 million
2007–2008	45%	\$2.0 million
2009	45%	\$3.5 million
2010	Repealed	Not applicable
2011	55%	\$1.0 million

Year-end strategy: You may reduce the size of your taxable estate through a series of lifetime gifts. Under the annual gift-tax exclusion, you can give each recipient up to \$13,000 (up from \$12,000 for 2008), without paying any gift tax.

For example, if you have three children and five grandchildren, you and your spouse can give each one \$26,000 in December 2009, and \$26,000 in January 2010. This reduces your estate by a total of \$416,000 (8 recipients  $\times$  \$26,000  $\times$  2 years).

Tip: It is expected that Congress will modify these rules. Keep apprised of new developments that affect estate-tax planning.

Tip: Estates with values greater than \$1M could still benefit from planning due to differences in the way state handle the exemption.

## **Miscellaneous**

\*From a tax perspective, it is generally beneficial to sell mutual fund shares before the fund declares dividends at year-end (the “ex-dividend date”) and to buy shares after the date the fund declares dividends.

\*Consider investments in dividend-paying stocks. As with long-term capital gains, the maximum income tax rate on qualified dividends received in 2009 is only 15% (0% for taxpayers in the 10% and 15% regular income tax brackets).

\* Under the “wash sale rule,” you cannot deduct a loss on securities sales if you acquire substantially identical securities within 30 days. To avoid this result, you can (1) wait at least 31 days to repurchase the securities, (2) acquire replacements and wait at least 31 days before selling the first shares or (3) buy similar (but not identical) securities.

\*Use up the funds in your flexible spending account (FSA). In general, if you do not use FSA funds by March 15, 2010, the remainder is forfeited.

\*When appropriate, minimize personal use of a vacation home. Deductions related to rental use are limited to the amount of rental income if your personal use exceeds greater of 14 days or 10% of the number of days the home is rented out.

\*Sell rental property on the installment-sale basis. The gain attributable to the sale may be spread out if payments are received over two or more years.

\*Defer tax on investment income from certificates of deposit (CDs) and Treasury securities by acquiring investments that mature after 2009. Generally, the income from these investments is taxable in the year it is received.

## Conclusion

This year-end tax-planning letter is intended only to serve as a general guideline. Of course, your personal circumstances may require in-depth examination. We would be glad to schedule a meeting with you to provide assistance with your tax-planning needs.

*This year-end planning letter is published for our clients, friends and professional associates. It is designed to provide accurate and authoritative information with respect to the subject matter covered. IRS Circular 230 requires us to inform you that the information contained in this letter is not intended or written to be used for the purpose of avoiding any penalties that may be imposed under federal tax law and cannot be used by you or any other taxpayer for the purpose of avoiding such penalties. Before any action is taken based on this information, it is essential that competent, individual, professional advice be obtained.*