



Staff Promotions and updates

ORW proudly announces the promotion of Natalie Tankersley to Partner effective January 1, 2010. Natalie has been with the firm for 16 years and has played a lead role on the development of our bank compliance and consulting services. We look forward to her contribution of management and leadership to ORW.

Michelle Perkey was recently promoted to the position of Principal. An employee with 12 years experience, Michelle will serve as Administrator of our firm. We look forward to a cohesive team atmosphere under her leadership.

We also want to congratulate Teresa Pineda on her recent CPA certification and promotion to Supervisor. Teresa is a graduate of Angelo State University receiving her Masters Degree in Public Accountancy in May 2006.

Meghan Kauten was promoted to Senior Accountant. Meagan is a 2007 graduate of Angelo State University with a bachelor degree in Business Administration-Accounting.

We also have added two new Staff Accountants to the firm. Gina Councilman and Courtney Beach are recent graduates of Angelo State University, having both received their Masters of Business Administration – Accounting.

Additional Changes . . . Not Part of the Stimulus Package

In 2010, you may request to receive your tax refund in the form of Series I bonds. These bonds carry interest rates that are tied to the inflation rate (the “I” stands for “inflation”) and have a 30 year maturity. In 2011, taxpayers may direct the IRS to invest their refund in bonds for their children or others. Most taxpayers will not find this option appealing. As of May 1, 2009, the fixed rate of return on these bonds went to zero because inflation is so low.

The Mortgage Forgiveness Debt Relief Act of 2007 allows taxpayers to exclude from tax up to \$2 million of cancelled mortgage debt on their principal residence through 2012. The exclusion does not apply to debt incurred for second homes, rental property, business property, credit cards or car loans.

Charitable contributions can be made directly from your IRA and excluded from your gross income if made before January 1, 2010. The amount can be as much as \$200,000 if you are married and \$100,000 if you are not. Only direct from IRA to charity transfers qualify and the taxpayer must be age 70 ½ or older. (This provision was supposed to expire in 2009.)

Many believe the odds are good that the top individual tax rates will increase in 2011. The Bush tax rate cuts lapse after 2010, which would make the top tax rate rise to 39.5% up from 35%. The 15% maximum tax rate on dividend and capital gains is also expected to increase to 20% for upper income filers. Besides these known increases that are in our existing tax laws, the surtax proposed by House Democrats could cause the top rate to increase to 45%.

If Congress is going to make any changes to the existing estate tax law, they will have to act fast. Under current law, the estate tax exemption is \$3.5 million and the top tax rate is 45%. If lawmakers fail to make changes, there will be no estate tax in 2010 and in 2011, the exemption amount would fall to \$1 million and the top rate would be 55%. It seems unlikely that our government would let this happen but the focus on health care overhaul is consuming all of Congress’s time and efforts.

2009 TAX TABLES

Rate	Single	Head of Household	Married Filing Jointly (& Surviving Spouses)
10%	\$0 - \$8,350	\$0 - \$11,950	\$0 - \$16,700
15%	\$8,350-\$33,950	\$11,950 - \$45,500	\$16,700 - \$67,900
25%	\$33,950 - \$82,250	\$45,500 - \$117,450	\$67,900 - \$137,050
28%	\$82,250 - \$171,550	\$117,450 - \$190,200	\$137,050 - \$208,850
33%	\$171,550 - \$372,950	\$190,200 - \$372,950	\$208,850 - \$372,950
35%	Over \$372,950	Over \$372,950	Over \$372,950

ALL IRA Owners are given the Opportunity to convert to a ROTH

Next year, all taxpayers who have money in a traditional or non-deductible IRA may convert to a Roth regardless of their level of adjusted gross income. Prior to 2010, only taxpayers with AGIs of \$100,000 or less could convert an IRA. Additionally, for one year only – 2010 – you will be able to pay the tax owed (if any) over a two year period, half in 2011 and half in 2012.

This “opportunity” is particularly appealing to folks with adjusted gross incomes of \$100,000 or more and those with nondeductible IRA accounts. However, don’t be fooled: this is a revenue generator for our government. Electing to convert the IRAs *will* cause you to pay tax now, but theoretically, it could save you tax later if you believe your top tax rate will increase in the future.

The Roth IRAs also allow for better tax planning due to their withdrawal flexibility and non-taxable status. They permit tax-free growth, tax-free withdrawals of IRA assets (assuming you are 59½ or older and the Roth IRA is more than five years old) and have no minimum distribution requirements once you turn 70½.

You don’t have to wait until 2010 to contribute to a traditional IRA. You can be ready for the conversion opportunity by funding a deductible or non-deductible IRA in 2009.

Note: If you decide to convert, you should consider opening multiple Roth accounts, one for each type of investment asset. This would give you maximum flexibility if one of your investments were to decline in value.

PROVISIONS FOR BUSINESSES . . .

Extension of Bonus Depreciation and Section 179 Write-Off Increases: The 50% first-year bonus depreciation allowed under the 2008 Economic Stimulus Act was extended to all property purchased in 2009 and for certain other purchases in 2010. The Section 179 expense write-off deduction available in the year of purchase was increased to \$250,000 from \$125,000 in 2009.

Net Operating Losses (NOLs) for Qualified Small Businesses: The number of carryback years was increased to 5 from 2 and the qualified small business (a business that has an average gross receipts of less than \$15 million) may choose which year(s) to carry the loss to. Only losses occurring in 2008 are eligible.

Qualified Small Business Stock: The percentage that may be excluded from income after a sale is increased from 50% to 75% for stock purchased after February 17, 2009 and before January 1, 2011. A “small business” cannot have assets over \$50 million.

Reduction of the C-Corp Electing to be a S-Corp Built-in Gains Holding Period: Subchapter C corporations that elect to become an S corporation in years beginning in 2009 and 2010 will have a 7 instead of a 10 year holding period for assets subject to the built-in gains tax.

Small Business Owners Estimated Tax Requirements: In 2009 only, persons with adjusted gross incomes of \$500,000 or less and more than 50% of their incomes from a “small business” (generally defined as a trade or business with 500 employees or less) may base their estimated tax payments on 90 percent of the 2008 tax owed rather than 100 percent and avoid tax penalties.

CONTACT US

Your next move may be to talk with us as soon as possible. By starting your year-end planning now, you’ll have more time to accomplish your tax saving goals. As skilled professionals, we have the experience, knowledge, and expertise to help you with all your planning needs – now and in the coming years. For more information about any of our services, contact us today.

