

Taxing Times

Tax information for clients and friends of Stambaugh Ness, PC



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Tax Specialist Melissa J-L Myers

INDIVIDUAL TAX NEWS

TAX PLANNING SERIES

The next few monthly editions of "Taxing Times" will be providing you with some tips for 2009 tax planning.

Unemployment Compensation

During the course of 2008 and 2009 many businesses have been cutting expenses which may unfortunately include laying off employees. An eligible taxpayer may apply for and receive PA Unemployment Compensation Benefits. If you are an employee who has lost their job and is collecting these benefits be aware that any monies received during the year must be reported as taxable income on your Federal tax return. If you have not chosen to have federal income tax withheld from your PA Unemployment Compensation, you may owe federal tax when filing your 2009 tax return.

COLETTE'S COMMENT: "For Pennsylvania and local tax purposes, the unemployment compensation you receive is not taxable. However, you may want to consider having federal tax withheld from your unemployment compensation to prevent a tax balance due at year end."

Moving and Job Hunting Expenses

Like many current Americans, you may be faced with seeking a new job. Some moving and job hunting expenses may be deductible on your tax return if certain criteria are met. Qualified moving expenses include traveling and transportation expenses. These expenses may consist of shipping household goods, parking fees and tolls incurred during the move, gasoline and auto maintenance, and lodging and transportation costs. Job hunting expenses such as resume preparation fees and job placement service fees may also be deductible.



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***MELISSA'S COMMENT:** "Moving and Job Hunting Expenses are only allowed if the individual meets the work, distance, and time employed requirements. Also, these expenses are not deductible on your return if you are changing professions, seeking your first job, or are reimbursed by your new employer."*

First-Time homebuyer Credit

First-time homebuyers are eligible to receive a credit on their tax return of up to \$8,000 if they purchase and settle on their home after April 8, 2008 and prior to December 1, 2009. This credit will reduce the individual's tax liability dollar for dollar and will be fully refundable. This credit is not required to be repaid to the IRS unless the home ceases to be the taxpayer's main residence within the three-year period of the purchase date.

***MELISSA'S COMMENT:** "Depending on the taxpayer's maximum tax benefit, the taxpayer may either amend their 2008 tax return to receive the credit or wait to take the credit on their 2009 return for a home purchased in 2009."*

DEADLINE REMINDER

If you are required to make Federal, PA, or local estimate payments for the second **quarter of 2009** they must be paid on or before June 15, 2009. Be sure to mark this date on your calendar!

CORPORATE TAX NEWS

Small Businesses Can Elect Net Operating Loss (NOL) Carryback

Section 1211 of the American Recovery & Reinvestment Act of 2009 allows an eligible small business to elect to carry back a 2008 net operating loss for a period of 3, 4, or 5 years to offset taxable income in those preceding taxable years. Prior to the Act, taxpayers could carry back an NOL only two taxable years.

The eligible small business may elect this extended carry back period simply by filing Form 1045, Form 1139 or an amended return that carries back the NOL for 3, 4, or 5 years. These forms are ordinarily due within 12 months after the taxable year of the NOL, however in order to elect to carry back the NOL for 3, 4, or 5 years the form must be filed within 6 months after the due date (excluding extensions) of the return for the taxable year of the NOL.

***COLETTE'S COMMENT:** "Given the current state of the economy, this revision to the NOL carry back rule could be a great tool for small businesses to increase their cash. By applying the 2008 NOL against a prior year's taxable income the company could receive a refund from the IRS."*

Important Dates Listed for PA EITC

ASK KEVIN

Dear Kevin,

I heard that Pennsylvanians, specifically older adults and people with disabilities can receive a property tax/rent rebate depending on their 2008 household income. Is this true? Do they have to apply by a certain date?

Sincerely,
Excited to Receive Money
York, PA

Dear Excited,

Yes, older Pennsylvanians as well as people with disabilities may receive a property tax/rent rebate if their household income is below \$35,000. The rebate amounts

range from \$250 to \$650 depending on your household income.

Applications must be submitted by June 30, 2009 in order to receive this rebate. Also, applicants may now check the status of their application online at www.papropertytaxrelief.com six weeks after submitting their application. You will need to have your social security number, anticipated rebate amount, and birth date to access this information online.

Until Next Month,
Kevin

If you have a general tax question you would like answered in a future edition, please email keisenhart@stambaughness.com.

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In the February 2009 edition of our *Taxing Times* publication, we mentioned that the Pennsylvania Educational Improvement Tax Credit Program (PA EITC) had made some changes to its regulations. Subchapter S corporations and other "pass-through" businesses will be able to use their EITC against PA personal income tax.

As a reminder to you, the initial applications for this tax credit program for fiscal year 2009-2010 (July 1, 2009 through June 30, 2010) will be accepted beginning July 1, 2009. It is important for businesses to submit this application as soon as possible because the Department processes these applications on a first-come-first-served basis.

A business that has been approved for tax credits and has agreed to make the same amount of contribution for two consecutive years must submit its application to receive its second year of tax credits to the Department between May 15 and June 30 of the first program fiscal year in order to be assured that tax credits will be available for the second year of the contribution.

COLETTE'S COMMENT: "If your application is not timely filed you do run the risk of not being approved for the PA EITC. Pennsylvania only processes these applications until the amount of available tax credits is exhausted."

Why is Everyone Talking About Sales and Use Tax?

Many states, as well as local jurisdictions, are looking for new ways to increase revenue in order to help offset their current budget deficit. Some states and local jurisdictions have decided the most indiscreet way to generate substantial revenue would be to increase sales and use tax rates or even make changes to the sales and use taxability regulations. In 2008, 554 localities and 4 states changed their sales and use tax rates.

The increases are currently continuing into 2009 as well. Companies may also see increased correspondence from states and local jurisdictions. These mailings may include notices of a potential audit, requests for completed nexus questionnaires, or information regarding use tax payables. Now is the time to ensure your Company is compliant with all state and local sales and use tax laws in order to avoid any unnecessary interest and penalties.

MELISSA'S COMMENT: "Pennsylvania has proposed eliminating the one percent sales tax discount currently received by companies that pay their total tax liability by the due date. During the fiscal year, Pennsylvania has estimated forfeiting over \$72 million by offering this discount program."

For more information about any of these tax topics or other tax-related concerns, please contact Kevin or your own SNPC tax professional at 717-757-6999/800-745-8233. You may also reply to this email.