



Inside This Issue

- § Drawing Social Security Benefits
- § No Increase in Social Security Wage Limit and Retirement Plans
- § New Hires and Promotions

## 2009 Worker, Homeownership and Business Assistance Act

Congress recently passed the Worker, Homeownership, and Business Assistance Act of 2009 ("the 2009 WHBAA"), which extended unemployment insurance for an additional 14 weeks, with six additional weeks for workers in states with unemployment levels over 8.5%. Presently, this includes the state of North Carolina. The President signed the bill into law on Nov. 6. The 2009 Act has several tax provisions that may be of interest.

The **first-time homebuyer credit** is a refundable tax credit available to taxpayers buying a principal residence for the first time and has been in existence in some form for more than a year. The 2009 WHBAA extends the expiration date for taxpayers who enter into a written binding contract to purchase a home to before May 1, 2010, and to close before July 1, 2010. Thus, you have until April 30, 2010, to sign a purchase agreement and until June 30, 2010, to close on that purchase agreement in order to receive the first-time homebuyer credit of up to \$8,000. In addition, the income phase outs are increased to \$125,000 (complete phase out at \$145,000) for individuals and \$225,000 (complete phase out at \$245,000) for joint filers. Please keep in mind that if you closed prior to November 6, 2009, the old income limitations will apply. The \$8,000 credit amount continues to apply to all first-time homebuyers. You can still elect to treat your home purchase as having occurred in the year prior to the year of purchase in order to expedite your refund.

The 2009 WHBAA also expanded the first-time homebuyer definition to include

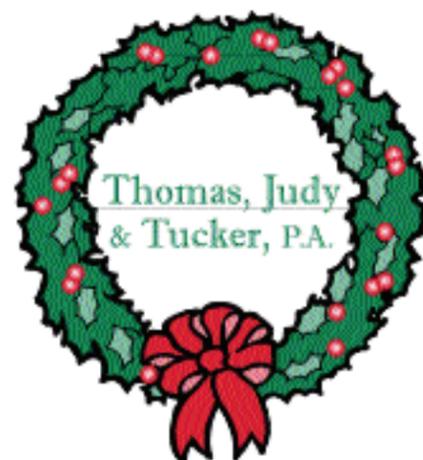
homebuyers who are **long-time residents of the same principal residence**. A \$6,500 (\$3,250 for married filing separately) credit is available to homebuyers who have been in their current residence for five consecutive years out of the last eight years and who purchase another residence. Home purchases of over \$800,000 closing after November 6, 2009, do not qualify for either the first-time homebuyer credit or its expanded version for long-time residents.

In order to curb some of the reported abuses with respect to the first-time homebuyer credit, the Act places certain limitations which apply to purchases made after November 6, 2009. Individuals who can be claimed as a dependent of another taxpayer for the taxable year that the credit is claimed are ineligible for the credit. Also, the taxpayer or the taxpayer's spouse must be 18 or over to claim the credit.

The 2009 WHBBA contains several tax provisions with respect to businesses. Most importantly, it **extends the NOL carryback period**. You will recall that the 2009 ARRA extended the NOL carryback period from two to up to five years for tax years beginning in or ending in 2008. However, the 2009 ARRA extension only applied to small businesses with gross receipts of \$15 million or less. The 2009 WHBBA allows all businesses to carryback an NOL for up to five years for losses incurred either in 2008 or 2009, but not both (at the election of the taxpayer). Businesses are able to offset 50% of the available income from the fifth taxable year preceding the loss, and 100% of all income in the remaining four carryback years. However, eligible small businesses that

*continued on page 3*

Merry  
Christmas



Thomas, Judy & Tucker, P.A.

4505 Falls of Neuse Road  
Suite 450  
Raleigh, NC 27609

(919) 571-7055

[www.tjtpa.com](http://www.tjtpa.com)

Building  
Partnerships  
That Deliver...

## When Should You Begin Drawing Social Security Benefits?

As CPAs we are often asked when clients should begin receiving Social Security benefits. The answer is very personal in nature and varies depending on each individual situation. The timing of when to start receiving these benefits can be a difficult decision. A recent article in the Journal of Accountancy (January 2009) pointed out several things to consider when making this decision.

**Longevity** A key factor in determining when to draw Social Security is life expectancy. About one out of every four 65-year-olds today will live past age 90, and one out of ten will live past age 95. Your personal health, family history, and income needs are all factors as to when you begin to draw Social Security benefits between ages 62 and 70. You will want to choose a retirement age based on your circumstances so you will have sufficient income when you need it as well as attempting to maximize your benefits.

**Early or late?** As you may know, individuals can start collecting Social Security retirement benefits at age 62, but benefits are reduced by a fraction of a percent for each month remaining before their full retirement age (FRA). Individuals can collect 100% at their FRA and if benefits are delayed beyond their FRA, the benefits continue to increase until age 70.

**Spousal and Survivor Benefits** A spouse can collect the greater of (1) the amount credited for his or her income, or (2) a

spousal benefit based upon the higher-income spouse's benefits. A provision permits a married individual to file at FRA and suspend the collection of benefits. This "file and suspend" strategy permits a lower-income spouse to collect spousal benefits once his or her higher-income spouse reaches FRA while the higher-income worker's benefits accrue delayed retirement credits through age 70.

**"SSA Do-Over"** If an individual commences collecting benefits early and subsequently re-evaluates the situation, there is an option to pay back the benefits received and then file a new application, allowing the client to receive larger checks based on his or her older age. The individual must file Form SSA-521, Request for Withdrawal of Application. All benefits must be returned to the SSA and are paid without accrued interest. The individual is also entitled to receive either a tax credit or deduction for the income taxes paid on the benefits previously collected.

These are a few items to consider when making your decision. Go to [www.journalofaccountancy.com/Issues/2009/Jan/SocialSecurityforTwo](http://www.journalofaccountancy.com/Issues/2009/Jan/SocialSecurityforTwo) to view the entire article. The Social Security Administration Web site, [www.ssa.gov](http://www.ssa.gov), is also a good resource and provides online calculators to help project your benefits. If you have any questions on the above or would like for us to help you with your retirement planning, please give us a call.

## No Increase in the Social Security Wage Limit and Retirement Plan Contributions for 2010

Because they are both tied to inflation, the Social Security wage limit and qualified retirement plan contribution limits will not increase in 2010 from the 2009 figures. For 2010, earnings subject to Social Security tax will top out at \$106,800. The maximum tax on those earnings will be \$6,621.60. Wages subject to Medicare tax is unlimited. Qualified retirement plan contributions will remain at the 2009 limits as listed here:

<b>401k and 403b</b> .....	\$16,500
<b>Age 50 and older (+ 5,500)</b> .....	\$22,000
<b>SEP</b> .....	\$49,000
<b>SIMPLE IRA</b> .....	\$11,500
<b>Age 50 and older (+ 2,500)</b> .....	\$14,000

## 2009 Year-End Tax Planning Guide

Get your copy of the 2009 Year-End Tax Planning Guide through our office. In this guide, you will find tips on income and expense timing, deductions and credits, as well as investment planning. Also included in this guide is a special section on business credits and deductions. Please contact Carol Wilson in our office at 919-571-7055 or [carol.wilson@tjtpa.com](mailto:carol.wilson@tjtpa.com) for your free copy of the guide.



## New Hires and Promotions Within Our Firm

Thomas, Judy & Tucker P. A. is very proud to announce several key staff additions and promotions. William H. "Bill" Durham, CPA joins our firm as a senior audit manager. Bill has over 17 years in public accounting, most of which were spent at a national firm. He is a graduate of Appalachian State University and specializes in the areas of manufacturing and distribution, not-for-profit organizations, foundations and universities.

We are also excited to announce the promotions of Amanda

Habich, CPA and Angie Gangemi, CPA to the position of manager. Amanda has been with our firm for four years in the audit department and has over eight years of experience in public accounting. Amanda will be a manager in our audit department. Angie has been with the firm for four years and has over seven years in public accounting. Angie will serve as a manager in our tax department. Congratulations to these team members on their new positions in our firm.



Bill Durham, CPA



Amanda Habich, CPA



Angie Gangemi, CPA

## 2009 Worker, Homeownership and Business Assistance Act

*continued*

previously elected (or will elect) to carry back an "applicable 2008 NOL" (which could be for a 2008 or 2009 loss year) under 2009 ARRA are allowed to elect to carry back losses from 2009 or 2010. Further, these eligible small businesses are not limited to the 50% limitation applicable to the fifth taxable year preceding the loss for the "applicable 2008 NOL."

To pay for the Act, the 2009 WHBBA: (1) **increases the penalties for failure to file a partnership or S Corporation return** from \$89 to \$195 per partner/shareholder; (2) delays by six years the implementation of a tax break on worldwide

interest allocation slated for use by multinational firms; (3) increases corporate estimated tax payments due July-September 2014 by 33 percentage points for businesses with assets of at least \$1 billion; and (4) requires tax return preparers who reasonably expect to file more than 10 returns to use **electronic filing on the individual income tax returns they prepare for tax year 2010**, but would not require that taxpayers also e-pay. Please contact our firm if you have any questions about this recent tax legislation.

## Explore Our New Web Site

Please check out the newly renovated and expanded web site for Thomas, Judy & Tucker, P. A.. You will find sections on services that we provide as well as descriptions of the industries that we serve. Our web address is [www.tjtpa.com](http://www.tjtpa.com). We welcome any feedback you might have about our site.