



DEBOER, GOODYKE, KAHLER & TUTTLE P.C.

certified public accountants and business consultants

2009 Year-End 1040 Client Letter

Dear Valued Client,

We are surprised how quickly the year has passed. On the income tax scene Congress continues to work on last minute income tax bills as this letter goes to press, but we will stay abreast of all the latest changes as they occur. You may have noticed our updated letterhead. As Bryan Kahler and Jamie Tuttle have been partners for several years, we are officially changing the firm name to DeBoer, Goodyke, Kahler & Tuttle P.C.

Attached is our tax information questionnaire to assist in organizing your tax information. If you prefer the detailed tax organizer, they are available upon request. We are intentionally sending this letter out prior to yearend since there may be tax incentives that need to be acted on by yearend. Below are some significant items to bring to your attention. For links to these and other important sites, please visit our website at www.dgkcpa.com.

Cash for Clunkers

Good news – if you traded in that old junk vehicle under the “cash for clunkers bill” you do not have to pay tax on the credit you received. We don’t even need to know about it unless you use your car for business, and even then you don’t pay tax on the credit.

Homebuyer Credit

- **First-time homebuyers.** Qualifying first-time homebuyers (you or your spouse have not owned a home during the three years prior to purchase) purchase a home on or after January 1, 2009 through April 30, 2010 (June 30, 2010 if under binding contract by April 30, 2010) may be eligible for a tax credit of 10% of the purchase price, up to a maximum credit of \$8,000.
- **Existing homebuyers.** Qualifying existing homeowners who have owned and lived in a principal residence for at least five consecutive years (during the eight years prior to purchase) may qualify for a tax credit for the purchase of a different principal residence. The tax credit is 10% of the purchase price, up to a maximum credit of \$6,500, under the same income restriction, and schedule as first-time homebuyers.
- **Some restrictions apply.** To qualify for the credit, purchased homes must be used as the purchaser’s principal residence for at least 36 months (vacation homes are not eligible). Other restrictions include: income limitations, age and dependency disqualifiers, and related party sales.

New Cars or Trucks

Several new tax deductions and credits are available this year if you bought a new car, light truck (GVW<8,500), motorcycle or motor home of any weight during the year. If you bought a new vehicle please provide a copy of the invoice with your tax documentation.

Mortgage Interest

Recent IRS scrutiny of home mortgage interest deductions now require us to carefully track re-financings and the use of loan proceeds. Please provide us with any new home loan information, closing statements from any re-financings, and a summary of how any additional loan proceeds were used.

Charity

An IRS court case from 2008 reminds us of the rules on charitable contributions. ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter must show the date and amount of any individual contribution over \$250, and must also state that no goods or services were received in return for the contribution.

Therefore, no documentation, no deduction, no exceptions.

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Individual Retirement Accounts (IRA's)

As a reminder, the IRS has waived the minimum distribution requirement for Individual Retirement Accounts for 2009. Direct gifts from IRA's to qualified charitable organizations are still allowed for taxpayers over age 70.

Property Tax

There is a special property tax deduction available in 2009 for property tax paid on your personal residence. Everyone who paid property tax in 2009 should provide the amounts.

Foreign Accounts

You may have heard that the IRS is looking closely for offshore accounts. If you have an account with over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you.

Mileage Deductions

Deductible mileage rates changed for 2009. Please provide us with the number of business miles, medical miles and charitable miles you drove during the year for this deduction.

Education Credits

A major revision of college credits has provided us with the new "American Opportunity Credit", a special credit for undergraduate college students. If you have children in college, please discuss some options with us to ensure that you receive the best benefit for these costs.

Roth IRA Conversions

You will be hearing from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. If considering Roth conversion, please contact us to discuss the tax implications.

Gift Changes

Effective 1/1/2009 the amount you may give to one person in one year without any return filing requirements has been increased to \$13,000.

Energy Credits

The residential energy credit has been reinstated starting in January of 2009. If you added storm windows, doors, insulation or a furnace, the Federal credit is 30% of the cost of the product, plus installation fees for furnaces, up to a maximum of \$1,500 for your home. There are also tremendous credits available for solar power, geothermal and wind energy that you should discuss with us if you are considering these changes. There is still a special tax credit for some new hybrid cars bought in 2009, so please bring that information to us as well.

Worthless Stock

Holders of General Motors Corporation stock are eligible for capital loss treatment in 2009. If you held GM or any other stock that became worthless in 2009, please provide cost basis and purchase date. While capital losses are limited, tax planning opportunities arise as capital losses can be used to offset other capital gains. Contact our office if you have any questions.

Future Income Tax Rates & Other

With record Federal deficits predicted for the next 10 years, it is a foregone conclusion that future tax rates will be substantially higher than today. If you are considering selling property or stock there is a good chance that 2009 will be the lowest capital gains rates any of us will ever see again, and the 2009 rates continue to be the lowest rates since before World War II. You might want to discuss some tax strategies with us if you are expecting a major asset sale in 2009 or 2010.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes we are requesting that everyone have their tax information to us by your suggested drop off date and no later than March 27, 2010. If you've gathered all your information prior to your suggested drop off date, please feel free to drop it off earlier. Rest assured that we will utilize our best resources to provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount.

With our thanks,

DeBoer, Goodyke, Kahler & Tuttle P.C.