

The background of the slide is a close-up photograph of several bright yellow flowers with prominent red stamens, arranged in a circular pattern around the center. The lighting is bright, creating soft shadows and highlights on the petals.

# Acuity<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

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# Key Tax Acts

- Emergency Economic Stabilization Act
- Economic Stimulus Package
- Housing Assistance Tax Act
- Farm/Military Tax Relief Acts
- President's Campaign Platform
- Latest on 2009 Stimulus Act





## **Economic Stabilization Act**

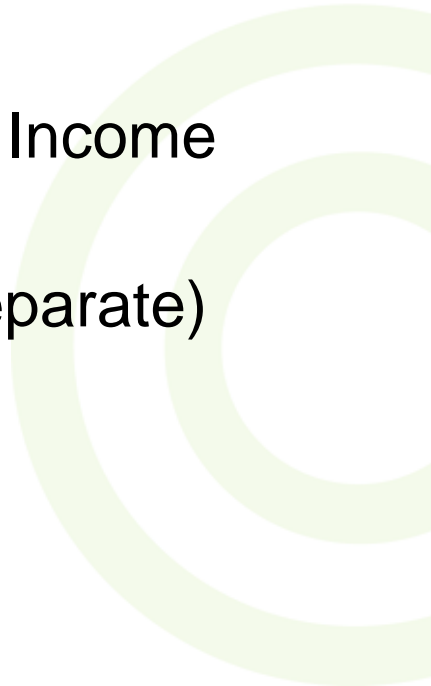
- **100 Tax Provisions**
- **\$150 Billion in tax breaks**
- **Financial bailout**
- **AMT**
- **Tax Extenders**
- **Disaster Relief (Hurricane Ike)**
- **Energy Incentives**





# Economic Stabilization Act

## Extended Exclusion for Homeowners

- Temporary relief from Cancellation of Debt Income through 2012
  - Up to \$2 million (\$1 Million Married filing separate)
  - Principal residence
- 

## Alternative Minimum Tax Patch

	2007	2008	2008 w/o patch
Married filing jointly & surviving spouse	\$66,250	\$69,950	\$45,000
Single and heads of household	\$44,350	\$46,200	\$33,750
Married filing separately	\$33,125	\$34,975	\$22,500



# Economic Stabilization Act

## Ability to reduce AMT by nonrefundable credits

- Dependent Care Credit
- Education Tax Credits





# Economic Stabilization Act

## Incentive Stock Options

- Abate AMT on exercise of ISO before 2008


## State and Local Sales Tax Deduction

- Expired in 2007 now available from 01/01/2008 to 12/31/2009



## Economic Stabilization Act


### Higher Education Tuition Deduction

- Above the line deduction
  - \$4,000 deduction
    - AGI less than \$65,000 (\$130,000 MFJ)
  - \$2,000 deduction
    - AGI between \$65,000 to \$80,000 (\$165,000 MFJ)
- 



## Economic Stabilization Act

### Additional Standard Deduction for Real Property Taxes

- Real Property Tax Deduction for Non-Itemizers
  - \$500 additional Standard Deduction (\$1,000 MFJ)
  - 2008 Standard Deduction
    - \$10,900 MFJ
    - \$5,450 Single
    - \$8,000 HH
- 



# Economic Stabilization Act


## Tax-Free Distributions from IRA's for Charitable Purposes

- Roth and Traditional
- Up to \$100,000
- Must be 70 ½
- Effective through 2009



# Economic Stabilization Act

## Research Tax Credit

- Extends R&D credit to 2008 and 2009
  - Credit is 14% of qualified research expenses that exceed 50% of average of qualified research expenses over the past 3 years.
- 



## **Economic Stabilization Act**

### **Leasehold and Restaurant Improvements**

- 15 year recovery instead of 39 year
  - Through 12/31/2009
- Retail Improvement Property
  - 15 year SL Recovery vs. 39 year
  - After 12/31/2008 to 12/31/2009


### **Corporate Charitable Contributions**

- Food, Books and Computer Equipment
- Through 12/31/2009



## Economic Stabilization Act

### Energy

- Energy Credits can offset 100% AMT
  - 30% non-refundable credit for solar energy – electricity, heat or cool home or commercial building (except swimming pools)
    - Through 12/31/2016
  - 10% credit for combined heat & power system employed using geothermal (steam)
- 



# Economic Stabilization Act


## Energy

- Deduction for Energy Efficient Commercial Buildings
  - Deduction of \$1.80 x sq. foot of building less deduction taken in previous years
  - Must meet requirements certification requirements
  - Through 12/31/2013
- Residential Energy Efficient Property Credit
  - Contractor credit of \$2,000 (50% energy reduction) or \$1,000 (30% reduction)
  - Through 12/31/2009



# Economic Stabilization Act

## Energy

- 30% energy credit for small wind energy property
    - Wind turbine of more than 100 kilowatts
    - \$4,000 limitation
    - Effective after October 3, 2008
- 



# Economic Stabilization Act

## Energy

- Plug-in electric drive motor vehicle credit
  - Effective - 2009 to 2014
  - Credit available up to \$7,500
    - Depends vehicle weight and kilowatt traction capacity
  - Phase-out rule
    - Starts after 250,000 sold
    - 50% 8 months, 25% 15 months and 0





## Economic Stabilization Act

### Transportation Fringe Benefit

- Added benefits for bicycling commuting
- Exclusion of \$20-per-month
- Effective after 12/31/2008

### Broker Basis Reporting

- Revenue Enhancer
- Brokers must report basis and gain character for publicly-traded securities
- Effective 2011 for stock and 2012 to mutual funds
- Brokers to use FIFO Basis



# Economic Stimulus Act

## Section 179

- Increases expensing deduction from \$128,000 to \$250,000
- Phased out starting at \$800,000

## Bonus Depreciation

- 50% first year deduction
- 20 years or less depreciable property
- Purchased computer software
- Qualified leasehold improvements
- Generally placed in service in 2008



# Farm/Military Tax Relief Acts

## 2 year extension conservation property

- Removes 30% limitation on donation of conservation property.
- Provides a larger limitation of excess of 50% over contribution base.
- Effective 2008 and 2009.



# Housing Assistance Tax Act

## Single Family Housing

- First Time Homebuyer Credit
  - Refundable tax credit is lesser of
    - \$7,500 (\$3,750 MFS) or 10% of purchase price
    - Phase-out \$75,000 to \$95,000 (\$150,000 to \$170,000 MFJ)
    - Cannot have owned a principal residence in U.S. during 3 years before purchase
    - Gain is recaptured over a 15 year period
    - Effective April 9, 2008 to June 30, 2009



# Housing Assistance Tax Act

## Gain Exclusion on Sale of Principal Residence

- Allowed \$500,000 gain exclusion MFJ or \$250,000 single
- Exclusion applied if residence for 2 of 5 years
- Now must prorate non qualified use period as capital gain
- Effective sales after 2008



# Housing Assistance Tax Act

## Information Reporting of Merchant's Credit Card

- Starting 2010
- Banks and third-party payment networks facilitating online sales
- File an information return with IRS
- Gross amount of credit and debit card payments a merchant receives during the year
- Expected \$9.8 billion revenue raiser



# President Campaign Promises

## Individual Income Taxes

- Currently rates are 10, 15, 25, 28, 33 & 35 percent.

**Promise** – making 10, 15, 25 & 28 permanent and restoring 36 and 39.6 percent rates.

- For AGI > \$250,000



# President Campaign Promises

## Itemized Deductions

- Currently phase out when AGI exceeds \$79,975 single and \$159,950 for MFJ up to 1/3 of deductions

**Promise** – Sunset of phase-out in 2010



## President Campaign Promises

### Personal Exemptions (P/E)

- Currently P/E phase-out.
- This rule sunsets in 2010

**Promise** – Restore phase-out in 2010





# President Campaign Promises

## Marriage Penalty

- Currently standard deduction and tax rate brackets provide marriage relief that will sunset in after 2010

**Promise** – Leave as is



# President Campaign Promises

## Estate Tax

- Currently top rate is 45% and estate tax disappears in 2010 and goes back to \$1 million exemption (Current \$2 Million)

**Promise** – 45% and \$3.5 Million Exemption



# President Campaign Promises

## Health Benefits

- Currently premiums paid by employers are excluded from employee's taxable income

**Promise** – Keep as is and provide small business with health care credit



# President Campaign Promises

## Alternative Minimum Tax

- Currently increases to exemption as a Patch to prevent 20 million taxpayers from falling into AMT.

**Promise** – Extending Patch and indexing for inflation.



## President Campaign Promises

### Dividends and Capital Gains

- Currently at 15%

**Promise** – Max rate of 20%. Rate applicable at \$250,000 AGI (\$200,000 single)



# President Campaign Promises

## Social Security Taxes

- Currently pay SS on first \$106,800 (2009)

**Promise** – Additional 4% for wages over \$250,000  
(2% employee/2% employer)



# President Campaign Promises

## Corporate Tax Rates

- Currently Top Rate at 35%

**Promise** – Reducing rate (unknown)





# 2009 Stimulus Proposals Senate and House



# 2009 Proposals – Committee Versions Senate and House

- **Individual Incentives**

- Credit against income tax (Making Work Pay Credit)
  - Lesser of 6.2% on earned income or \$500 (\$1,000 MFJ)
  - Phase-out at \$75,000 or \$150,000
  - Retroactive to 1/1/09 and extends to 12/31/10
  - Reduction of FICA taxes
  - Refund or reduced withholding
  - Refundable credit
  - New W-4



# 2009 Proposals – Committee Versions Senate and House

- Individual Incentives
  - Seniors, Disabled Veterans and SSI
    - One-time payment of \$300 Social Security beneficiaries and Veterans receiving disability compensation
  - First Time Home-Buyer Credit
    - Remove repayment requirement
  - Education Credit
    - Enhance HOPE credit to \$2,500
    - Rename “the American Opportunity Tax Credit”
    - Increase phase-out to \$80,000/\$160,000



# 2009 Proposals – Committee Versions Senate and House

- Individual Incentives
  - Temporary Suspension of Taxation of Unemployment Benefits
    - First \$2,400 per recipient
  - Computers as qualified education expenses in 529 plans (currently tuition, room & board, mandatory fees and books)



# 2009 Proposals – Committee Versions Senate and House

- Business Incentives
  - Bonus Depreciation is back!
  - Section 179 expensing same as 2008 (\$250,000)
  - NOL Carryback
    - 5 years back instead of 2 years
    - Additional 3 years only 90% of NOL available
    - TARP Recipients not eligible
  - Work Opportunity Credit
    - \$6,000 credit for unemployed veterans and disconnected youth.
  - Delayed recognition CODI over 4 year period
  - Increase small business exclusion on capital gains from 50 to 70%



# 2009 Proposals – Committee Versions Senate and House

- Energy Incentives
  - 30% credit for residential improvements
    - Up to \$1,500 for 2009 and 2010
    - Windows, central a/c, natural gas, propane heaters, heat pumps...
    - Remove credit caps on solar water heaters, geothermal heat pumps, and wind energy
  - 20% R&D credit with no base period
    - Fuels cells
    - Battery technology
    - Renewable energy
    - Electric distribution
    - Carbon capture



# 2009 Proposals – Committee Versions Senate and House

- Energy Incentives
  - Other incentives
    - Alternative Refueling Stations – business credit to 50% with max at \$50,000



# 2009 Proposals – Committee Versions Senate and House

- **State Government Assistance**
  - AMT Limits on New Private Activity Bonds
  - New Recovery Zone Bonds
    - \$10 billion recovery zone development
    - \$15 billion recovery zone facilities
    - Allocated to states based upon job percentage of job losses
  - Deductibility of state and local bond interest of states and municipalities for financial institutions
  - Qualified School Construction bonds
  - Increase Temporary Federal Medical Assistance Percentage
    - Medicaid



# 2009 Proposals – Committee Versions Senate and House

- Other Assistance
  - Premium Subsidies for COBRA payments
  - Extended Medicaid coverage for Transitional Medical Assistance (TMA)
  - Additional monies to States to modernize unemployment compensation
  - Increase unemployment benefits
  - Increase TANF (Temporary Assistance to Needy Families)



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