

## *This Month:*

- ◆ Worker, Homeownership, and Business Assistance Act of 2009
- ◆ 8109 Coupons
- ◆ Changing Entities?
- ◆ Multi-State Sales Tax

## 8109 Coupon Days are Numbered

It has been a long-standing routine for most small businesses to remit their Federal payroll tax deposits, as well as other tax payments, by taking a deposit coupon to their bank. However, some banks are no longer taking coupons.

In the past year, more than a dozen banks and credit unions have stopped accepting Form 8109 Federal Tax Deposit coupons, and more will do so in the following months. Financial institutions are not required to accept coupons from their own customers or anyone else, and because banks have not experienced a significant decline in client base due to the change, this trend is expected to continue and accelerate.

What can you do? EFTPS offers a free, secure and fast way to pay your Federal taxes by phone or online. It is a great alternative to standing in line at a bank! For more information, contact our office.

## Worker, Homeownership, and Business Assistance Act of 2009

On November 6, President Obama signed into law H.R. 3548, the Worker, Homeownership, and Business Assistance Act of 2009. The new law extends unemployment benefits and includes a number of tax law changes for individuals and small businesses as well. If you would like more information about this new law and how it may affect you or your business, please do not hesitate to contact us.

***Extended unemployment benefits:*** The extension provides for 14 weeks of extended benefit coverage for every state and an additional 6 weeks, for a total of 20 weeks, in high unemployment states where unemployment is over 8.5%

***Extended and enhanced homebuyer credit:*** The new law gives a new lease on life to the first-time homebuyer tax credit by providing a one-time extension of the credit for homes purchased or under contract by April 30, 2010. It also includes a change allowing the credit to be claimed by existing homeowners who are "long time residents." A credit of up to \$8,000 will apply to qualifying first-time buyers, and a smaller credit of up to \$6,500 will now apply to purchases after Nov. 6, 2009 by those who have lived in their homes for at least five years. For members of the uniformed services whose duty takes them overseas, an extension of a similar credit is available until May, 2011. For purchases after Nov. 6, 2009, the credit cannot be claimed for buying a residence if its purchase price exceeds \$800,000. The new law also contains important measures to combat tax fraud and protect responsible homebuyers, including setting a minimum age for home purchase and requiring documentary proof of the purchase in order to receive credit.

*Continued on Next Page*

*Continued from Previous Page*

***NOL carryback:*** The American Recovery and Reinvestment Act of 2009 (2009 Recovery Act) allowed eligible small businesses (with average gross receipts of \$15 million or less) to elect to carry back net operating losses (NOLs) from 2008 for three, four or five years rather than the standard two years. The new law provides a similar election to all U.S. businesses of every size to carry back NOLs up to five years but with a 50 percent income limit on NOL offsets in the fifth year.

The new, expanded election is available for NOLs incurred in either 2008 or 2009, but not for both years. However, an eligible small business that elected under the 2009 Recovery Act to carry back 2008 NOLs may make the election for an additional year, enabling the qualified small business to carry back NOLs from both 2008 and 2009 for up to five years.

***Increased S-Corporation and Partnership late filing penalties:*** The new law increases the penalties for late-filing tax returns for S-corporations and partnerships, including LLCs treated as partnerships. The late-filing penalty has more than doubled, from \$89 to \$195 per month per shareholder or partner for each month that a return is filed after the deadline (including extensions). If you have an S-corp, partnership, or LLC, be sure to file those extensions.

***FUTA surtax extended :*** The temporary surtax of 0.2% on the federal unemployment tax, scheduled to expire at the end of 2009, has been extended through June 2011. The FUTA rate continues to be 6.2%.

**Changing Entities?**

The end of the year is a good time to consider making a tax entity change. If you're thinking of switching, talk to your Padgett Representative first to find out if changing makes sense for your business, given the potential tax consequences. Some changes have few or no tax implications, but others can be costly. Incorporating a sole proprietorship or partnership should be tax free if done correctly, but failure to adhere to the rules can trigger tax. Get good advice before making a move and then follow the advice carefully.

**Multi-State Sales Tax**

Doing business in multiple states can be complicated. State threshold requirements vary for how frequently returns have to be filed. Thresholds may be based on all sales, taxable sales, sales tax liability or sales and use tax liability. Generally, once a threshold is passed, you'll have to file on the more frequent schedule until you are granted a change. Pay attention, since penalties can be substantial.

***CONTACT US FOR YEAR-END TAX PLANNING TIPS***

PADGETT BUSINESS SERVICES®

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

**PENALTY NOTICE:** As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.