



THIS MONTH:

- ◆ 10 Facts About Homebuyer Credit
- ◆ 2009 Economic Recovery Payment Verification
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2009 Economic Recovery Payment Verification

A one-time payment of \$250 was made in 2009 to recipients receiving benefits from the Social Security Administration, disabled veterans receiving benefits from the U.S. Department of Veterans Affairs, and Railroad Retirement beneficiaries. Taxpayers who need verification about receipt of the 2009 economic recovery payment should personally contact their respective agency for confirmation, not the IRS, before completing and filing their 2009 tax return in 2010.

10 Facts about the Extended First-Time Homebuyer Credit

If you are in the market for a new home, you may still be able to claim the First-Time Homebuyer Credit. Congress passed The Worker, Homeownership and Business Assistance Act Of 2009, extending the First-Time Homebuyer Credit and expanding who qualifies.

Here are the top 10 things the IRS wants you to know about the expanded credit and the qualifications you must meet in order to qualify for it.

1. You must buy - or enter into a binding contract to buy a principal residence - on or before April 30, 2010.
2. If you enter into a binding contract by April 30, 2010 you must close on the home on or before June 30, 2010.
3. For qualifying purchases in 2010, you will have the option of claiming the credit on either your 2009 or 2010 return.
4. A long-time resident of the same home can now qualify for a reduced credit. You can qualify for the credit if you've lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the new home is purchased and the settlement date is after November 6, 2009.
5. The maximum credit for long-time residents is \$6,500. However, married individuals filing separately are limited to \$3,250.
6. People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after November 6, 2009. The full credit is available to taxpayers with modified adjusted gross incomes up to \$125,000, or \$225,000 for joint filers.
7. The IRS has issued a December 2009 revision of Form 5405 to claim this credit. The December 2009 form must be used for homes purchased after November 6, 2009 - whether the credit is claimed for 2008 or for 2009 - and for all home purchases that are claimed on 2009 returns.
8. No credit is available if the purchase price of the home exceeds \$800,000.
9. The purchaser must be at least 18 years old on the date of purchase. For a married couple, only one spouse must meet this age requirement.
10. A dependent is not eligible to claim the credit.

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Barter Transactions

In today's economy, small-business owners sometimes look to the oldest form of commerce — the exchange of goods and services, or bartering. The Internal Revenue Service wants to remind small-business owners that bartering transactions generally have associated tax reporting, accounting and record-keeping responsibilities.

Bartering is the trading of one product or service for another. Usually there is no swap of cash. Barter may take place on an informal direct one-on-one basis between businesses and individuals, suppliers, customers, distributors, partners, contract labor, and employees, or it can take place on a third party basis through a modern Internet barter exchange.

Bartering is an exchange of one taxpayer's property or services for another taxpayer's property or services. The fair market value of property or services received through barter is taxable income. Be sure to use a reasonable fair market value for the property or services received in a barter transaction to include in your income. The transaction is not a "wash" if you report the fair market value of the property received that is greater than your cost or basis in the property given up.

For example: if bowling equipment given up has a cost or other basis of \$500 to you there is a \$500 gross profit on the transaction if the fair market value of the fishing equipment received in the barter exchange is \$1,000. Simply put, you should identify the transaction in your records and report the income and any related business deductions and cost of goods sold on your tax return.



Title Matters: Who Owns the Car?

If your company is paying for a car, make sure you title it in the company's name. If the company writes the check yet you put the title in your own name, the IRS is almost surely going to deny the business a depreciation deduction. (This doesn't apply to sole proprietors; you and your business aren't separate entities.) Your company may also lose deductions for insurance, gas, maintenance, etc. Of course, even if the car is in the company's name, you still have to keep records of the business usage. But if you don't take the first step, you'll have an uphill battle. By the way, the same will likely be true for other business assets.

Haiti Relief Donations

People who give to charities providing earthquake relief in Haiti have the option of deducting these contributions on either their 2009 or 2010 returns, but not both. Taxpayers who itemize deductions on their 2009 return qualify for this special tax relief provision, enacted Jan. 22. Only cash contributions made to these charities after Jan. 11, 2010, and before March 1, 2010, are eligible. This includes contributions made by text message, check, credit card or debit card.

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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.

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