



The RoCo Times

Special Dates of Interest

- September 7th—Labor Day, Office closed.
- September 15th—Third quarter installment of 2009 individual estimated income tax is due.
- October 1st—Generally, the deadline for self-employed and small businesses to establish SIMPLE retirement plans for 2008.
- October 15th—Deadline for 2008 individual and partnership returns on extension.

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*A good rule for going
through life is to keep
the heart a
little softer than
the head.*

*Author
John Graham*

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Put Midyear Tax Planning On Your Summer Agenda

Summer is almost over, and probably the last thing on your mind is tax planning. The problem is that if you wait until December, there's little time for changes to take effect. But if you take the time to plan now, you still have four months for your actions to make a difference on your 2009 tax return. With the recent tax changes, planning for the reduction of your 2009 taxes is more important than ever. Here are some suggestions to get you started.

- **Pull out your 2008 income tax return, and review your income and deductions.** Did you lose any credits or deductions because your income was above a certain threshold amount? If so, what can you do to keep this year's income below the threshold?
- **You might want to schedule home improvement projects** to benefit from the tax credits available for energy-saving expenditures on your principal residence.
- **Evaluate your investment portfolio.** If you have been avoiding the disheartening news, now is the time to reassert control over your investments. Review your holdings to see if you should take some losses to offset other income. If you're considering investment purchases, analyze the type of income you'll be receiving from the assets you buy. Then stash the investment in the proper account (taxable, deferred, or nontaxable) to achieve maximum return and tax savings.
- **Adjust your retirement plan contributions.** Are you still making contributions based on last year's numbers? Maximum amounts have increased for some plans in 2009. You can contribute up to \$11,500 to a SIMPLE, up to \$16,500 to a 401(k), and up to \$5,000 to an IRA. Remember to add catch-up contributions if you'll be 50 by the end of December.
- **Factor two recent tax changes into your planning** for retirement fund withdrawals if you're 70½ or older. First, the option to make a direct nontaxable donation of up to \$100,000 from your IRA to a charity has been reinstated. Second, the requirement to take a minimum distribution from your retirement plan is waived for 2009. This applies to 401(k) plans, 403(b) plans, certain 457(b) plans, and IRAs.
- **Now is the time to do tax planning for the upcoming fall college expenses.** Check out the various tax breaks, including the new, enhanced Hope credit (renamed the American opportunity credit).
- **The estate tax is still alive and well,** so as part of your midyear review, do any updating that's needed to your will and other estate documents.
- **Do some business tax planning, too.** Plan your equipment purchases to benefit from the extension of 50% bonus depreciation for new equipment and up to \$250,000 first-year expensing for new or used equipment.

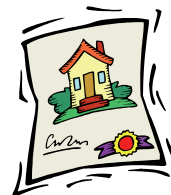


Making time for 2009 tax planning now not only helps reduce your taxes, but also helps to put you in control of your entire financial situation. Tax planning should be a year-round process, but it's especially effective at midyear. Give us a call for guidance in implementing the best moves for your particular situation.

Loan Modification by Jessi Leveroos

In the last two weeks I have spoken with two separate clients who have contacted loan modification agencies for help modifying their current loans. In both cases the loan modification agencies have turned out to be a scam. With that being said we thought the best way to protect our clients from these scams would be to inform you about the loan modification process.

First it is important to have a general understanding of how a mortgage works. When an individual receives a mortgage from a broker or bank, more often than not, the broker or bank sells that mortgage to an investor. From that point on, the broker or bank services the loan, meaning they take the payments and answer questions for the borrower. However, decisions regarding the loan must ultimately be made by the investors of the loan. This is important to understand from the stand point that whomever the contact is that an individual is speaking with regarding their loan modification, that contact will not be the same person who will make the decision regarding the terms of the new loan. This is also important because when the banks are working on a loan modification, the limitations on each loan will vary depending on the investors of that specific loan.



There are basically three types of loan modifications available: (1) the lender permanently reduces the interest rate on the loan to the going market rate, (2) the lender temporarily reduces the interest rate to below-market rate for three to five years, (3) payments are stretched out over a longer period, such as 40 years to reduce the monthly cost of the loan. In order to qualify for these types of loan modifications there are some specific guidelines, however the guidelines will vary depending on the lender. Some of the most common guidelines include the following:

- Your loan is 60-90 days past due.
- Your expenses exceed your income.
- The modified payment must not exceed 38% of your monthly income and the lowered monthly payment must balance the income and expenses.
- You cannot be in bankruptcy or a party of a lawsuit against the bank.
- The bank must be convinced that a workout is preferable to other options for the investors. (Example: if the investors can sell the home for more than what is owed, they will be less likely to agree to a loan modification)
- The bank must have reasonable expectation that you won't default again.

The two basic ways to prove hardship are (1) the home value has decreased significantly below what you owe on the home, or (2) your income has significantly decreased. If you can't prove hardship in one way or the other, generally the lender is not going to be interested in helping.

Finally, the most important piece of this is to recognize that just as these loan modification programs are new to us, they are new to the banks as well. Although we expect them to be the experts, we must understand that the lending environment is constantly changing, and again, the investors have different limitations on each loan, therefore creating a very complicated process. This in turn has made an easy market for scam artists to take advantage of. These loan modification agencies ask for an upfront fee claiming that they will help with the paperwork and negotiate the terms of the loan. Unfortunately, these agencies are not doing anything differently than what we can do for ourselves and they really just add more time to the process.

In closing, my recommendation is that you call your lender personally. Your current lender will be able to determine whether or not you qualify for the loan modification. Be patient and understand that this is not an overnight process, and will require time and effort on your part to make it work.

IRS Alerts Public to New Identity Theft Scams

The IRS wants to remind us to avoid identity theft scams that use the IRS name, logo or Web site to convince taxpayers that the scam is a genuine communication from the IRS.

The IRS does **not** discuss tax account matters with taxpayers by e-mail. The IRS urges consumers to avoid falling for the following recent scheme:



Making Work Pay Refund

This phishing e-mail, which claims to come from the IRS, references the president and the Making Work Pay provision of the 2009 economic recovery law. It says that there is a refundable credit available to workers, consumers and retirees that can be paid into the recipient's bank account if the recipient registers their account information with the IRS. The email contains links to register the account and to claim the tax refund.

In reality, most taxpayers receive their Making Work Pay tax credit, which was designed for wage earners, in their paychecks as a result of decreased tax withholding, not as a lump sum distribution from a federal fund. Additionally, consumers and retirees who are not wage earners are not eligible for this tax credit.

How to Spot a Scam

Many e-mail scams are fairly sophisticated and hard to detect. However, there are signs to watch for, such as an e-mail that:

- Requests detailed or an unusual amount of personal and/or financial information, such as name, SSN, bank or credit card account numbers or security-related information, such as mother's maiden name, either in the e-mail itself or on another site to which a link in the e-mail sends the recipient.
- Dangles bait to get the recipient to respond to the e-mail, such as mentioning a tax refund or offering to pay the recipient to participate in an IRS survey.
- Threatens a consequence for not responding to the e-mail, such as additional taxes blocking access to the recipient's funds.
- Gets the Internal Revenue Service or other federal agency names wrong.
- Uses a really long address in any link contained in the e-mail message or one that does not start with the actual IRS Web site address (www.irs.gov). To see the actual link address, or url, move the mouse over the link included in the text of the e-mail.

Genuine IRS Web site

The only genuine IRS Web site is [IRS.gov](http://www.irs.gov). All [IRS.gov](http://www.irs.gov) Web page addresses begin with <http://www.irs.gov/>. Anyone wishing to access the IRS Web site should initiate contact by typing the [IRS.gov](http://www.irs.gov) address into their Internet address window, rather than clicking on a link in an e-mail.



FEDERAL TAX DEPOSITS / PAYMENTS

It has come to our attention that some banks in the area are no longer accepting Federal tax payments with Form 8109-B (Federal Tax Deposit Coupon).

The government would like all businesses to be registered and submit their payments through EFTPS. It takes approximately 15 days to get registered and receive a pin number from EFTPS. Check with your bank ASAP to see if they are still accepting the coupons to avoid your tax deposits being received late. If you need help or any information about registering with EFTPS, please call our office.