



Wisconsin IRA Conversions

On January 1, 2010 a new federal tax law allowing people at all income levels to convert a traditional IRA account to a Roth IRA will go into effect.

While in the past only those who earned less than \$100,000 were eligible to convert funds to the Roth IRA, the new law repealed this limitation for 2010 and beyond.



As of December 10, 2009 the state of Wisconsin has not adopted the federal law. The state will apply a 3.33 percent early distribution penalty on taxpayers under the age of 59 ½ at the time of conversion, plus a 2 percent annual penalty on excess contributions to a Roth IRA for all conversions. This penalty would be applied each year until the excess contribution is withdrawn. Persons age 59 1/2 or over would only be subject to the excess contribution penalty.

If you have any questions on this issue, please give us a call.

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Be Aware of Use Tax

As business owners, managers and consumers, we are aware that there are many types of tax that can affect our day-to-day operations. Some of the most common taxes are income, real estate, payroll, and sales tax. One tax that sometimes gets overlooked or inadvertently underreported is the use tax. The use tax is often referred to as the opposite of sales tax. It is not imposed on the sale of property. Instead it is imposed on tangible personal property or taxable services that are stored, used, or consumed within Wisconsin for which previous sales or use tax has not been paid.



Use tax is reported and paid with the Wisconsin Sales Tax return. Often, underreported use tax is not discovered except upon audit by the Wisconsin Department of Revenue. This can be a costly error as the state is also apt to add interest and penalties for unpaid tax.

As a consumer, what can you do to avoid some common errors? To begin with, check all invoices for items purchased from an out-of-state source. If the items will be used in Wisconsin and an exemption such as manufacturing or resale does not exist for that use, then use tax should be remitted. A common example of this would be the purchase of office supplies or office equipment (especially computers) over the Internet. Second, if an item was originally purchased for an exempt purpose such as resale or manufacturing, but ultimately used in the entity's own business, report use tax in the period the item was used. Lastly, be cautious of purchasing taxable and non-taxable items from the same company. If this does happen, consider setting up two separate vendors in your accounts payable system. Use one vendor for all the taxable items and one for the nontaxable.

If you need assistance regarding use tax, please contact us.

UPDATE

Volume 34 Number 4 December, 2009

First-Time Homebuyer Credit Extended to April 30, 2010 Some Current Homeowners Now Also Qualify

A new law that went into effect in November extends the first-time homebuyer credit five months and expands the eligibility requirement for purchasers.

The Worker, Homeownership and Business Assistance Act of 2009 extends the deadline for qualifying home purchases from November 30, 2009 to April 30, 2010. Additionally, if the buyer enters into a binding contract by April 30, 2010, the buyer has until June 30, 2010 to close on the purchase.

The maximum credit amount remains \$8,000 for the first time homebuyer; that is a buyer who has not owned a primary residence during the three years prior to the date of purchase of the new home.

But the new law also provides a "long-time resident" credit of up to \$6,500 to others who do not qualify as "first-time homebuyers." To qualify as a "long-time resident," a buyer must have owned and used the same home as his/her principal or primary residence for at least five consecutive years of the eight-year period ending on the date of purchase of a new home as a primary residence.

For all qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 tax returns.

A new version of Form 5405, First-Time Homebuyer Credit, will be available in the next few weeks. A taxpayer who purchases a home after November 6, 2009 must use the new version of the form to claim the credit. Likewise, taxpayers claiming the credit on their 2009 returns, no matter when the house was purchased, must also use the new version of Form 5405. Taxpayers who claim the credit on their 2009 tax return will not be able to file electronically, but instead will need to file a paper return.

A taxpayer who purchased a home on or before November 6, 2009 and chooses to claim credit on an original or amended 2008 return may continue to use the current version of Form 5405.

Income Limits Rise

The new law raises the income limits for people who purchase homes after November 6, 2009. The full credit will be available to taxpayers with modified adjusted gross income (MAGI) up to \$125,000 or \$225,000 for joint filers. Those with MAGI between \$125,000 and \$145,000, or \$225,000 and \$245,000 for joint filers, are eligible for a reduced credit. Those with higher incomes do not qualify.



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**2009/2010 Tax Facts**

	2009	2010
Social Security Wage Base		
Maximum (OASDI) earnings limit	\$106,800	\$106,800
Tax rate	7.65%	7.65%
(Note: Wages in excess of \$106,800 are subject to the 1.45% Medicare tax)		
Maximum IRA Contributions		
IRA & Roth IRA Contribution	\$5,000	\$5,000
Catch-up Contribution (over age 50)	\$1,000	\$1,000
Maximum 401(k) Contributions		
401(k) Employee Contribution	\$16,500	\$16,500
Catch-up Contribution (over age 50)	\$5,500	\$5,500
Standard Deductions:		
Joint or qualifying widow(er)	\$11,400	\$11,400
Single	\$5,700	\$5,700
Head-of-Household	\$8,350	\$8,400
Married, filing separately	\$5,700	\$5,700
Personal Exemption Amount	\$3,650	\$3,650
Estate Tax Unified Credit Equivalent	\$3,500,000	Legislation Pending
Gift Tax Unified Credit Equivalent	\$1,000,000	\$1,000,000
Annual Gift Tax Exemption	\$13,000	\$13,000
Section 179 Depreciation Deduction	\$250,000	\$134,000
Business Standard Mileage Rate	55¢	50¢



**From all of us at WKMR,
we wish you and your family
a safe and joyous holiday season!
We look forward to serving you in the New Year.**



UPDATE

Volume 34 Number 4 December, 2009

Client Profile

Addiction Resource Council

Since 1971 the Addiction Resource Council (ARC) has focused on providing the residents of Waukesha County with education, intervention, assessment and referral services for alcohol and other drug related addictions. Their goal is to create public awareness of alcohol and drug addiction and encourage those in need to get out and get help.

The ARC is an affiliate of the National Council of Alcoholism and Drug Dependence (NCADD) which was established in 1944 by Marty Mann, a woman who dedicated her life to educating the public on alcoholism. Her goal was to teach Americans that alcoholism and other drug addictions are preventable and can be treated.

Claudia Roska, Executive Director of the Addiction Resource Council, has been with the organization since 1988.

“The ARC works to achieve the same goals set forth by the NCADD,” said Roska. “We are committed to eliminating the stigma associated with alcoholism and looking to not only treat those with this disease, but to be a resource to those they are close to.”

The ARC offers programs in various areas to help addicts and their loved ones cope with their addictions. Some of the services offered by the ARC include:

Driver Assessment Services

Intoxicated Driver Program:

By law in Wisconsin, any driver convicted of driving under the influence must schedule (within 72 hours of conviction) an assessment of their alcohol and /or drug use with a state

approved facility. The assessment helps to determine the level of care the client needs and identifies any patterns of alcohol or drug use that may constitute addictive behavior.

Through these assessments the ARC works with the client to create a Driver Safety Plan which is a series of education or rehabilitation programs designed to eliminate any future alcohol or drug related instances.

There is only one designated facility in each county throughout Wisconsin; the ARC is the approved facility in Waukesha County.



The ARC Staff
From left to right (front): Bernie, Shana, Barb, Bri, James
From left to right (rear): Kenya, Renada, Claudia, Carol, Danielle

Educational Services

Addiction: Why can't they just stop?

This series helps define the disease of addiction and the process of recovery. Addiction is identified as a medical condition of the brain. Through this program participants learn why it is so challenging for an addict to just change their behavior. The series runs for four weeks and is free of charge.

Stop and Think: Underage Alcohol and other Drug Use Lifestyle Risk Reduction Program

In many cases, first-time underage drinking violators can avoid appearing in court or receiving a ticket by participating in the “Stop and Think” program.

However, the offender must be referred by the Police Department making the arrest.

The program promotes abstinence among youth and deters them from making “high-risk” choices as related to alcohol and drug use.

Those participating in this program are also evaluated to determine if a tendency for addiction exists or if further assessment is needed. The ARC sees an average of 400 youth through this program each year.

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Addiction Resource Council - continued from page 4

Family Intervention Training

“We realize that alcohol and other drug addiction affects everyone, not just the addict,” says Roska. “We not only offer services geared toward the addict, but also to their family and friends who are touched by this disease.”

Get Your Loved Ones Sober (GYLOS)

This program is designed to help family members live their lives as normally as possible while helping their loved ones move toward sobriety.

“The goal of this program is to educate family members on addiction and how to be supportive, while at the same time not letting the disease take over their lives as well,” explains Roska. The program is based on the book, *Get Your Loved One Sober: Alternatives to Nagging, Pleading and Threatening* by Robert Meyers PhD. and Brenda Wolf PhD.

Smoking Cessation Services

Freedom From Smoking

The ARC also works with businesses in creating a healthier work environment through Freedom From Smoking, a clinic developed by the American Lung Association. The ARC has also been an advocate for Smoke-free Wisconsin which will go into effect in July of 2010.

Community Involvement

The ARC is also involved in Community Outreach and Coalitions. The Council works with a number of organizations in the community to provide intoxicated driving services and acts as a resource for groups such as Preventing Alcohol Related Crashes (PARC Task Force), Mothers Against Drunk Drivers (MADD) and Wisconsin Community Services (WCS).

Through these various services and programs, the ARC determines who needs treatment for addiction and at what level. The ARC serves approximately 2,500 clients throughout the year. About 60% of these clients do not require further treatment and are not considered addicts; about 20% require further education and the remaining 20% do need further structured treatment to overcome their disease.

The ARC receives public funding from Waukesha County; however, they rely heavily on fees for service and contributions through membership or donations.

But it takes more than funding for the ARC to achieve its goals. Claudia and her nine staff members are passionate about their work with the ARC. “Our staff enjoys their work and helping people. That’s what it’s all about,” said Roska. “We want to let people know that there is help out there and you don’t have to go at it alone.”

At the ARC, each client is treated as an individual. “We realize that each client is unique and we treat them with respect and compassion,” says Roska. “We want to make sure that each client gets the care and support that fits his/her needs.”

Claudia has made this mission part of her life. She has a master’s in Sociology and is currently pursuing her PhD in Urban Studies with a focus on the differences of addiction and treatment as it relates to gender. Claudia has also served on the Board of Directors of the NCADD.

For more information on the Addiction Resource Council, call 262-524-7921 or visit www.arcouncil.net. The ARC also has a 24-hour Help Line; that number is 262-524-7920.

**Addiction Resource Council
W228 N683 Westmound Drive
Waukesha, WI 53186**

www.arcouncil.net

**24 hour Help Line
262-524-7920**

**Be safe this holiday season,
don’t drink and drive.**

UPDATE

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Business Standard Mileage and Other Rates Decrease for 2010

The Internal Revenue Service issued the 2010 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning January 1, 2010, the standard mileage rates for the use of a car (also vans, pick ups, or panel trucks) will be:

- 50 cents per mile for business miles driven.
- 16.5 cents per mile driven for medical or moving purposes.
- 14 cents per mile driven in service of charitable organizations.

The new rates for business, medical and moving purposes are slightly lower than those for 2009. The mileage rates for 2010 reflect generally lower transportation costs compared to a year ago.

Taxpayers always have the option of calculating actual costs of using their vehicle rather than using the standard mileage rates.



WKMR Firm News

We would like to welcome the following interns to Winter, Kloman, Moter & Repp, S.C.:

In our Brookfield Office:

Max Klapper
Eric Tesker

In our Oconomowoc Office:

Jim Anderson
Sandra Barg
Michael Eberle
Stephanie Radmer

In our Watertown Office:

Ashley Lamberton



WKMR -

Doing Our Part to Go Green!

Attention Update print subscribers, the *Update* Newsletter is also available electronically via e-mail.

If you are interested in receiving the *Update* electronically instead of a hard copy via mail, please e-mail Michelle Meier at MichelleM@wkmr.com, or call Michelle at 262-797-9050.





First-Time Homebuyer Credit - continued from page 2

For homes purchased prior to November 7, 2009, existing MAGI limits remain in place. The full credit is available to taxpayers with MAGI up to \$75,000, or \$150,000 for joint filers. Those with MAGI between \$75,000 and \$95,000, or \$150,000 and \$170,000 for joint filers, are eligible for a reduced credit. Those with higher incomes do not qualify.

New Requirements

Several new restrictions on purchases that occur after November 6, 2009 went into effect with the new law.

- Dependents are not eligible to claim the credit.
- No credit is available if the purchase price of a home is more than \$800,000
- A purchaser must be at least 18 years of age on the date of purchase.

For Members of the Military

Members of the armed forces and certain Federal employees serving outside the United States have an extra year to buy a principal residence in the United States and still qualify for the credit. An eligible taxpayer must buy or enter into a binding contract to buy a home by April 30, 2011, and settle on the purchase by June 30, 2011.

If you have any questions on the First-Time Homebuyer Credit, give us a call.



Higher Tax Rates Likely in 2011

Many of the tax cuts put into place by the Bush administration will expire at the end of 2010, which means we may see a rise in Federal tax rates in 2011. Federal tax rates may rise to as high as 39.6 percent, up from 35 percent, for those earning more than \$373,650. The House version of the health reform bill sets an additional 5.4 percent surtax on adjusted gross income for high-income individuals. Long-term capital gains tax rates may reach as high as 28 percent, from 15 percent today.

For higher income taxpayers, there are steps you can take to ease the tax burden and take advantage of the current lower tax rates. Some of you may want to accelerate your taxable income and defer your income tax deductions.

Accelerate Your Income

- If you are a business owner, you might want to take more in salary for the remainder of 2009 and in 2010 and less in 2011. While it might be difficult for employees to receive salary income ahead of time, ask your employer about receiving more pay in December of 2010 and less in 2011.
- If you are a business owner planning to sell your business, think about selling it before the end of 2010. You are likely to pay a lower rate on your capital gains in 2010.
- Consider selling “non-qualified” stock options and take the profits now before the tax rates increase.

Defer Tax Deductions

Just as it might be a good idea to accelerate your income, think about deferring your expenses into future years when the rate might be higher.

- If you can defer deductions such as property taxes from December into January this could help you save on your tax bill.
- Consider holding onto capital losses because if tax rates increase, the losses may be more valuable for offsetting capital gains in 2011 and later years.
- Consider delaying any large charitable contribution until January of 2011

There are numerous other options to consider and now is the time to start planning for these potential increases. The tax rate is only one of several factors to consider when planning. Other factors, including economic conditions, should also be considered. For more information or to develop a strategy on how to plan for tax increases, give us a call.

Source: Margaret Collins, Bloomberg



Winter, Kloman, Moter & Repp, S.C.
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UPDATE

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