HIGHLIGHTS OF THE CHANGES AFFECTING 2009

New Tax Credit for First-Time Homebuyers – For home purchases made after April 8, 2008 and before July 1, 2009, a first-time homebuyer (no present ownership interest in a principal residence in the U.S. during the 3-year period before purchasing the home) can receive a refundable tax credit equal to 10% of the home's purchase price but capped at $7,500 ($3,750 for married taxpayers filing separately).

The credit is essentially an interest-free loan that must be paid back. The repayment will be in the form of an additional tax amount on the homeowner's federal tax returns for 15 years. If the home is sold or no longer used as a primary residence before the end of the 15-year period, the balance of the credit that has not been repaid must be repaid in the year the home is sold or no longer the taxpayer's primary residence. There are special rules for divorced taxpayers, deceased taxpayers, and where the credit that has not been repaid exceeds the gain when the home is sold. The credit is phased-out for high-income taxpayers and not allowed for nonresident alien homeowners or homes financed with tax-exempt mortgage bonds or property purchased from a related party.

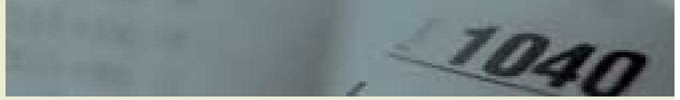
A New Twist for Home Sales – Taxpayers have been using a popular and legal tax strategy to exclude gain not just from their primary residence but also from rentals and second homes as well. This was accomplished by moving into the rental or second home and making it their primary residence for two years, then selling it and excluding the gain, up to $250,000 ($500,000 for joint filers). Beginning in 2009, Congress has muted this strategy by requiring proration of the home sale gain between periods of qualified home use (principal residence) and nonqualified use (rental or second home use), and allowing the home gain exclusion to apply only to gain from qualified periods. Good news is that periods of nonqualified use do not include any period:

- Before January 1, 2009,
- After the last date the property is used as the principal residence of the taxpayer or spouse (regardless of use during that period), and
- Not to exceed two years that the taxpayer is temporarily absent by reason of a change in place of employment, health, or, to the extent provided in regulations, unforeseen circumstances.

Roth Conversions Liberalized Beginning in 2010 – Beginning in 2010, the $100,000 modified AGI limit on conversions of traditional IRAs to Roth IRAs is eliminated, and a married taxpayer filing a separate return is allowed to convert amounts in a traditional IRA into a Roth IRA. For conversions made in 2010, the taxpayer can choose to elect to:

- Include the income in the 2010 return, or
- Include one-half of the conversion income in 2011 and one-half in 2012.

Since there are no income restrictions, every taxpayer with qualifying earned income can contribute to a nondeductible traditional IRA for 2008 and 2009. Looking ahead to 2010, the taxpayer can then convert their nondeductible IRA contributions into a Roth IRA, with only the earnings on the contributions being taxable. This provides an opportunity for taxpayers to place sums of money into a Roth IRA. Contact this office for further details.



The Zero Capital Gains Rate Expires in 2010 – 2009 and 2010 are the final years that taxpayers will enjoy a capital gains rate of zero to the extent that their regular tax bracket is less than 25%. But before you make plans to sell everything in 2009 and 2010, remember that the gain itself adds to your income, impacts income-based limitations, and possibly pushes you into a higher regular tax bracket, so it is a balancing act to take advantage of this zero rate. Of course, you can also use losses to offset the gains, and contrary to conventional strategy, you should only have enough losses to keep the gain within the zero tax rate.

Annual Gift Tax Exemption Increased – Tax law limits the transfers of money and property to prevent taxpayers from reducing the tax on their estate when they die. The annual exemption amount has been increased for 2009, allowing a taxpayer to give as much as $13,000 to as many individuals as they would like without gift tax implications.

Many Tax Benefits Extended through 2009 – There are several tax benefits that were set to expire that have been extended for 2009 and later years. They include the following:

- Educator's $250 above-the-line deduction for school supplies;
- $2,000/$4,000 above-the-line deduction of higher education expenses;
- Itemized deduction for sales tax in lieu of state and local taxes;
- Up to $500 ($1,000 joint) non-itemizer's additional standard deduction for property taxes;
- Taxpayer age 70½+ tax-free IRA distributions made directly to charity;
- 30% credit for installing home solar, wind, etc., energy-generating systems (through 2016);
- $500 credit for installing home energy-efficient improvements;
- $2 million exclusion of primary home acquisition debt forgiveness (through 2012);
- $2,000 contractor efficient home credit;
- Energy-efficient commercial building credit; and
- 15-year life for certain restaurant property and leasehold improvements.

Qualifying Child – The "uniform definition of a child" is used in taxes to determine when an individual qualifies for certain tax benefits including the dependency exemption, child tax credit and earned income tax credit. Beginning in 2009, the following requirements have been added:

- A qualifying child must be younger than the claimant;
- Generally, a qualifying child must be unmarried;
- A qualifying child's tax benefits are restricted to the child's parents in certain cases; and
- The child tax credit is denied to taxpayers who are dependents.

New Casualty Loss Tax Issues for 2009

- The $100 personal-use property casualty loss floor has been raised to $500;
- The personal-use property 10% of AGI deductible is waived for federal disaster area losses.
- Disaster casualty losses can be added to the standard deduction for non-itemizers.
- Unused disaster losses can be carried back five years.

$1 LUMP SUM AT VARIOUS RATES COMPOUNDED ANNUALLY

(Future Value of $1)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
4%	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449
12	1.762	3.106	5.474	9.646	17.000	29.960

Example: *If you invest $10,000 at an interest rate of 8%, what amount will you have in 30 years? By referring to the table, you find that $1 invested today at 8% would grow by a factor of 10.063 in 30 years. The future value of the $10,000 investment would therefore be $100,630 ($10,000 multiplied by 10.063).*

$1 PER YEAR AT VARIOUS RATES COMPOUNDED ANNUALLY

(Future Value of an Annuity of $1)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
4%	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494
12	6.353	17.549	37.280	72.052	133.334	241.333

Example: *If you put $1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have $79,058 saved ($1,000 x 79.058).*

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

	Tax-Free Yield								
	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
Tax Bracket	Equivalent Taxable Yield								
10%	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
15	2.4	2.9	3.5	4.1	4.7	5.3	5.9	6.5	7.1
25	2.7	3.3	4.0	4.7	5.3	6.0	6.7	7.3	8.0
28	2.8	3.5	4.2	4.9	5.6	6.2	6.9	7.6	8.3
33	3.0	3.7	4.5	5.2	6.0	6.7	7.5	8.2	9.0
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2

Example: *A taxpayer in the 25% tax bracket would have to purchase a taxable investment yielding more than 5.3% to outperform a 4.0% tax-free investment.*

2009 Pocket Tax Guide

The Tax Institute

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2009 INCOME TAX RATE SCHEDULE – INDIVIDUALS

MARRIED TAXPAYERS* – *Joint/Surviving Spouse (SS)*

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$16,700	-0-	10%	-0-
$16,700	$67,900	$1,670.00	15%	$16,700
$67,900	$137,050	$9,350.00	25%	$67,900
$137,050	$208,850	$26,637.50	28%	$137,050
$208,850	$372,950	$46,741.50	33%	$208,850
$372,950 & Over		$100,894.50	35%	$372,950

* Married separate (MS) use 1/2 of the joint dollar amounts.

SINGLE TAXPAYERS

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$8,350	-0-	10%	-0-
$8,350	$33,950	$835.00	15%	$8,350
$33,950	$82,250	$4,675.00	25%	$33,950
$82,250	$171,550	$16,750.00	28%	$82,250
$171,550	$372,950	$41,754.00	33%	$171,550
$372,950 & Over		$108,216.00	35%	$372,950

HEAD OF HOUSEHOLD

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$11,950	-0-	10%	-0-
$11,950	$45,500	$1,195.00	15%	$11,950
$45,500	$117,450	$6,227.50	25%	$45,500
$117,450	$190,200	$24,215.00	28%	$117,450
$190,200	$372,950	$44,585.00	33%	$190,200
$372,950 & Over		$104,892.50	35%	$372,950

STANDARD DEDUCTIONS

Joint, SS	*MS*	*Single*	*Head of Household*
$11,400	$5,700	$5,700	$8,350

An additional standard deduction of $1,100 is allowed for each married elderly (age 65 and over) or blind individual. If elderly and blind, the additional standard deduction is $2,200. Single individuals (elderly or blind) are allowed an additional standard deduction of $1,400. Up to $500 ($1,000 JT) of real property taxes paid in 2009 also may be added to the standard deduction.

Reduction of Itemized Deductions

Deductions may be reduced when adjusted gross income (AGI) exceeds........................... $166,800
($83,400 for Married Separate)

PERSONAL & DEPENDENCY EXEMPTIONS $3,650

Phase Outs	*Exemption Reduced When AGI Exceeds*	*Exemption Fully Reduced When AGI Exceeds*
Married Joint/SS	$250,200	$372,700
Single	$166,800	$289,300
Head of Household	$208,500	$331,000
Married Separate	$125,100	$186,350

Note: Exemption is not reduced below $2,433

ALTERNATIVE MINIMUM TAX (AMT)

Tax Rate 26% of AMT income to.........$175,000*
28% of AMT income over......$175,000*
***$87,500 for married taxpayers filing separately**

Filing Status	*Exemption Amount* (Reduced as AMT income exceeds phase-out base.)	*Phase-Out Threshold*	*Full Phase-Out*
Joint Return	$69,950	$150,000	$429,800
Single and HH	$46,200	$112,500	$297,300
Married Separate	$34,975	$75,000	$214,900

Note: The exemption amounts shown are the 2008 amounts. The exemption amounts have been temporarily increased since 2001 and were due to revert to the lower pre-2001 levels for 2008. However, Congress applied a one-year patch and adjusted the exemption amount for inflation for 2008. Congress has been wrestling with the AMT issue for several years and what will happen for 2009 is unclear at this time. Taxpayers who have long-term unused AMT credits will be able to treat 50% of those credits as refundable on their 2009 return.

STANDARD MILEAGE DEDUCTIONS

Note: These are the rates in effect during 2009 (except charitable). Due to the volatility of gas prices, these rates may vary during the year.

Type	*Amount Per Mile*
Business	$0.55
Charitable	$0.14
Medical	$0.24
Moving	$0.24

PER DIEM RATES*

	High-Cost Locality	*Low-Cost Locality*
Meals and incidental expenses (M & IE)	$ 58	$ 45
Lodging and M & IE	$ 256	$ 158

**Reflects rates in effect since 10/01/2008, using the simplified method of determination.*

SOCIAL SECURITY, MEDICARE & SELF-EMPLOYMENT TAXES

	*Social Security OASDI**	*Medicare*	*Total*
Employee	6.20%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

Wage Base for Soc. Sec. & Self-Employment Tax – $106,800***
Wage Base for Medicare Hospital Insurance – no limit

** Old age, survivor and disability insurance portion of social security tax.*
*** Self-employed individuals are allowed to take an income tax deduction for 50% of the self-employment tax.*
**** Subject to automatic yearly adjustment based on changes in wage levels.*

SOCIAL SECURITY

Earnings Test

Social security benefits received by an individual who has earned income are reduced when an earnings limit is exceeded. The limit for 2009 is:

Worker, under the full retirement age	$ 14,160
Worker, full retirement age and over	No limit

Taxation Thresholds

A certain percentage of an individual's social security benefits are subject to taxation when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% Taxed	*Up to 85% Taxed*
Married/Joint	$32,000 - $44,000	Over $44,000
Single	$25,000 - $34,000	Over $34,000

**Provisional income generally includes adjusted gross income plus nontaxable interest plus one-half of social security benefits.*

RETIREMENT PLAN CONTRIBUTION LIMITS

Self-Employed Defined Contribution Plans: Lesser of 25%* of compensation or $49,000.

Simplified Employer Pension (SEP) Plans: Lesser of 25%* of compensation or $49,000.

*Caution: Previously adopted plans that have not been modified may be limited to 15%** of compensation. Contributions to self-employed plans can be made up to the due date of the return, including extensions*

** Effectively 20% of net self-employment income.*

*** Effectively 13.04% of net self-employment income.*

401(k) and 403(b) Plans:
Dollar limitation is $16,500. ($22,000 for individuals age 50 and over)

Simple Plans:
Maximum elective deferral is $11,500. ($14,000 for individuals age 50 and over)

TRUST & ESTATE INCOME TAX RATES

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$2,300	-0-	15%	-0-
$2,300	$5,350	$345.00	25%	$2,300
$5,350	$8,200	$1,107.50	28%	$5,350
$8,200	$11,150	$1,905.50	33%	$8,200
$11,150 & Over		$2,879.00	35%	$11,150

UNIFIED ESTATE & GIFT TAX SCHEDULE

The Tax Act of 2001 began phasing out the Estate Tax by raising the exemption amount and reducing the tax rates through 2009 and eliminating Estate Taxes altogether in 2010.

Note: Gift Tax is not phased out and will remain with a $1,000,000 exemption.

CAUTION: The Tax Act of 2001 included a Sunset provision that, without Congressional change, will reinstate the Estate Tax in 2011 and have the tax rates for both Gift and Estate Taxes revert to the pre-2002 levels but with a $1,000,000 exemption.

Year	Estate Tax Exemption (Millions $)	Estate Tax Top Tax Rate	Gift Tax Exemption (Millions $)	Gift Tax Top Tax Rate
2007	2.0	45%	1.0	45%
2008	2.0	45%	1.0	45%
2009	3.5	45%	1.0	45%
2010	n/a	n/a	1.0	35%
2011	1.0	55%	1.0	55%

2009 Annual Gift Tax Exclusion *$13,000*

Each individual is allowed an annual gift tax exclusion of $13,000 per donee for 2009, with no limit to the number of donees. These gifts are not deductible to the giver nor are they taxable to the donee. Gifts in excess of the exclusion must be reported on a gift tax return. Gifts in excess of the exclusion are taxable but are offset with the Unified Estate and Gift Tax Credit until that credit is used up. Any amounts used to offset gift tax will reduce the amount of credit available for the giver's estate tax.

INCOME TAX RATES – CORPORATIONS

Taxable Income

Over	*But Not Over*	*Pay*	*% on Excess*	*Of The Amount Over*
$ 0	$ 50,000	0	15	0
50,000	75,000	7,500	25	50,000
75,000	100,000	13,750	34	75,000
100,000	335,000	22,250	39	100,000
335,000	10,000,000	113,900	34	335,000
10,000,000	15,000,000	3,400,000	35	10,000,000
15,000,000	18,333,333	5,150,000	38	15,000,000
18,333,333		6,416,667	35	18,333,333

LIFE EXPECTANCY*

Current Age	*Remaining Years*	*Current Age*	*Remaining Years*
25	57.0	55	28.6
30	52.2	60	24.2
35	47.3	65	20.0
40	42.5	70	16.0
45	37.7	75	12.5
50	33.1	80	9.5

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 24.2 yrs.

** Life expectancy rates based on the IRS Unisex Single Life Tables.*

REGULAR IRA – MAXIMUM DEDUCTION LIMITS

Single individual that is NOT a participant in an employer-sponsored plan:
$5,000 ($6,000 if age 50 & older)

Married individual that is NOT a participant in an employer-sponsored plan, but whose spouse IS a participant in an employer plan.

Adjusted Gross Income:	*Maximum Deduction Is:*
Less than $166,000	$5,000 ($6,000 if age 50 & older)
$166,000 - $175,999	Phased out
$176,000 and Over	No deduction

Individual that IS a participant in an employer-sponsored plan.

Adjusted Gross Income Joint	*Single*	*Maximum Deduction Is:*
Less than $89,000	Less than $55,000	$5,000 ($6,000 if age 50 & older)
$89,000 - $108,999	$55,000 - $64,999	Phased out
$109,000 and Over	$65,000 and Over	No deduction

Contributions must be made by the due date of the tax return, NOT including extensions.

ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, taxpayer is required to deposit by payroll withholding or estimated tax payments an amount equal to the lesser of:

1. ***90% of current year tax liability, OR***
2. ***One of the following amounts:***
   - ***a. If the taxpayer's AGI exceeds $150,000*, 110% of the prior year's tax liability.***
   - ***b. Otherwise, 100% of the prior year's tax liability.***

*$75,000 for taxpayers filing married separate.

BUSINESS ASSET EXPENSING

Each year, an amount of the cost of certain eligible personal property purchased during the year and used in the active conduct of a trade or business can be expensed. For 2009, the maximum that can be expensed is $133,000.*

**The limit is reduced when more than $530,000 of property (excluding real estate) is placed into service.*

EDUCATION BENEFITS

Hope Credit – This tax credit is allowed for qualified higher education tuition and related expenses in the first two calendar years for each qualified student who attends a qualified institution of higher education. The credit for 2009 is:

- 100% of the first $1,200 of qualified expenses, and
- 50% of the next $1,200 of qualified expenses.

Lifetime Learning Education Credit – This credit is allowed for qualified higher education tuition and related expenses for all qualified students of the taxpayer who attend qualified institutions of higher education. The annual credit is:

- 20% of the first $10,000 of qualified expenses.

The Hope and Lifetime credits phase out ratably for taxpayers with modified AGI of $50,000 to $60,000 ($100,000 to $120,000 for joint filers).

Student Loan Interest Deduction – Taxpayers can annually deduct qualified higher education loan interest above-the-line.

- The annual limit is: $2,500.

The deduction phases out ratably for taxpayers other than joint filers with modified AGI between $60,000 and $75,000. The phase-out range is $120,000 – $150,000 for joint filers.

2009 TAX CALENDAR

January 15.................	4th Quarter 2008 Estimate Due
April 15......................	2008 1040 or Extension Due
April 15......................	1st Quarter 2009 Estimate Due
June 15.......................	2nd Quarter 2009 Estimate Due
July 31.....................	Pension Plan (Form 5500) Returns Due
September 15............	3rd Quarter 2009 Estimate Due
October 15................	2008 1040 Extension Returns Due