

“THE NEWSLEDGER”

MARYLAND STATE UNEMPLOYMENT TAX CHANGES MAY CHANGE YOUR PLACE OF EMPLOYMENT

You may have received a letter in the mail stating that Maryland is changing their SUTA tax tables from B to F for 2010. Table B was in effect for 2009 and the range of rates for cost per employee were .6% to 9.0%. Table F will go in effect for 2010, and the range of rates for cost per employee are 2.2% to 13.5%. The taxable wage base stays at \$8,500.

Changing tables means that the minimum annual cost per employee paid over \$8,500 increases from \$51 to \$187. 55% of Maryland Employers are at the lower end of the table. The maximum annual cost per employee increases from \$765 to \$1,148. Companies at the higher end of the table tend to have a higher employee turnover ratio and those employees who were laid off file for unemployment.

Maryland changed their tables in response to the 92% increase in number of unemployment claims over the past two years. With such a dramatic increase in the payout of unemployment insurance benefits, the state needs to maintain their trust fund solvency by increasing the unemployment tax rate. If a state's trust fund becomes insolvent, they can borrow from the United States Department of Labor.

NO BIG CHANGES FROM THE IRS FOR 2010

- The standard mileage rate drops 5 cents per mile to 50 cents per mile for 2010. The medical travel and employment moving standard rate falls to 16.5 cents for 2010, a reduction of 7.5 cents from 2009. The

charitable rate stays at 14 cents per mile for 2010.

- The annual gift tax exemption remains unchanged at \$13,000 for 2010. The personal exemption remains unchanged for 2010 at \$3,650. The standard deduction remains unchanged at \$5,700 for singles, and \$11,400 for married taxpayers. Head of Household filers standard deduction increases \$50 to \$8,400 for 2010.
- The Social Security wage base for 2010 will remain unchanged from 2009, and is expected to stay at \$106,800, through 2011. The rate remains unchanged at 6.2%

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Last year's Emergency Economic Stabilization Act of 2008 was enacted to jump start the economy. The American Recovery and Reinvestment Act of 2009 was legislated to give the economy a boost by creating new and saving existing jobs and rousing economic activity. This Act includes \$288 billion in tax cuts and benefits. \$275 billion is for federal contracts, grants and loans, and \$224 billion is for education and health care. The Act also allows the beneficiaries of the Recovery funds to keep track of how the \$787 billion is being spent and where it is going. The stimulus package includes the following:

- The Act created the Making Work Pay tax credit which is a \$400 tax credit that could be applied to individual withholdings during the year. The \$400 credit will appear on your tax return. However it will be reduced if you received an Economic Recovery Payment or if a single individual has Modified Adjusted

- Gross Income greater than \$75,000 or \$150,000 if married filing jointly.
- The First-Time Homebuyer Tax Credit was increased to \$8,000 with no payback requirement and was extended to December 1, 2009.
- Taxpayers can increase their standard or itemized deduction for local sales and excise taxes paid on up to \$49,500 of the purchase price of certain new vehicles.
- The American Opportunity Credit modifies the Hope Credit for 2009 and 2010. The Credit has been increased to \$2,500 per student for the first four years of college, as compared to \$1,800 for the first two years of college. The phase out has also increased to \$80,000 for individuals and \$160,000 for married filing jointly, as compared to \$48,000 and \$96,000.
- The earned income tax credit and the additional child tax credit both have increased phase out and pay out levels for 2009 and 2010.
- The first \$2,400 of Unemployment Compensation is tax free.
- The Economic Recovery Payment provides \$250 for Social Security Recipients, Veterans and Railroad Retirees.
- Energy Efficient and Renewable Energy Tax Credits are back and are available for 2009 and 2010. A credit rate of 30% of residential energy efficient improvements or residential energy efficient property purchases, for a maximum credit of \$1,500. Credits are also available for plug-in vehicles.
- CORBA coverage has been subsidized. Former employees who are eligible for COBRA are only required to pay 35% of the health insurance premiums, as compared to 100%. The employer picks up the other 65% and they are in turn reimbursed through their payroll tax returns.
- Businesses can also reap the tax rewards of Energy Efficiency and Renewable Energy Bonds and Tax Credits. The list of bonds and credits include: New Clean Renewable Energy Bonds; Qualified Energy Conservation Bonds; Renewable Energy Production Tax Credit (extended); Investment Credit in Lieu of Production Credit; Renewable Energy Grants; and, Credit for Alternative Fuel

Vehicle Refueling Property (temporary increase).

- The Net Operating Loss Carryback has been extended from two to five years. Small businesses with a net operating loss (NOL) on their 2008 return may file amended returns carrying back their NOL to get a refund of taxes paid over the past five years.
- Businesses receive 50% bonus depreciation on assets placed in service during 2009. Businesses may also elect to take advantage of the Section 179 election increase. Small businesses may deduct up to \$250,000 of Section 179 qualified property. Without the American Recovery and Reinvestment Act, Section 179 would have been limited to \$133,000. The election will be reduced if the total property placed in service exceeds \$800,000.
- There are municipal bond programs available to finance the construction of schools and other energy and public projects.

As of December 4, 2009, according to the U.S. Treasury Federal Agency Financial and Activity Reports, of the \$288 billion Recovery Act funds allocated for Tax Cuts and Benefits, \$92.8 billion has been paid out. Of the \$275 billion Recovery Act funds allocated for Federal Contracts, Grants, and Loans, \$62.6 billion has been paid out. Of the \$224 billion Recovery Act funds allocated for Entitlements to Education and Health Care, \$86.5 billion has been paid out.

As of October 30, 2009, approximately 640,000 jobs have been created and/or saved as reported by the Bureau of Labor Statistics.

FIRST-TIME HOMEBUYER TAX CREDIT EXTENSION

The \$8,000 First-Time Homebuyer Tax Credit has been extended for sales occurring before April 30, 2010. Sales also qualify if there is a binding sales contract signed before April 30, 2009, and the home purchase is completed by June 30, 2009. The income limit has also been increased to \$125,000 for Single taxpayers, and \$225,000 for Married taxpayers filing joint returns. The tax credit is reduced for taxpayers with modified adjusted gross income above the limits

and the proportionate phase-out range for buyers is \$20,000. Therefore, a single taxpayer with modified adjusted gross income of \$135,000 will receive a \$4,000 tax credit and a married couple with \$240,000 will receive a \$2,000 tax credit.

The credit has also been extended to existing home owners who have owned and lived in a home for five consecutive years out of the last eight years. "The Relocation Credit," as they like to call it, is \$6,500 and is subject to the same income limitations and phase-out as described above.

The tax credit is a refundable tax credit which means it is treated similar to having taxes withheld from your wages. The tax credit does have limits. The purchase price must be lower than \$800,000 and the credit is the lesser of \$8,000 (or \$6,500) and 10% of the purchase price of the home.

IT'S A CONSENSUS THAT THE CENSUS IS SENSELESS!

Everyone get ready to rush to your mailboxes this March, the 2010 Census is coming!!! It's your constitutional duty to fill out the Census and mail it in by April 1st. If not, you can expect a visit from the Census takers between April and July.

Sadly, the Bureau has not caught up with the times in order to simplify the process by filing the forms on-line!!! UNBELEIVABLE! What a waste!!!

This decade the form is expected to be the shortest form in History, 10 questions in 10 minutes. The questions ask for the name, age, sex and race of every individual living in the house, apartment or mobile home as of April 1, 2010.

Looking for work? The Census Bureau is currently hiring for the 2010 Census. Benefits include good pay, flexible hours, mileage reimbursement and paid training.

"RICH" TAX - No we're not talking about Mr. Brunner goes to Washington!

The House of Representatives have been working on a bill for an additional tax on individuals with more than \$280,000 of taxable income and married couples with more than \$350,000 of taxable income. This surtax could be as much as 5.4% on income over \$1 million. This additional tax would help pay for the proposed health care reform. This tax could increase the proposed top income tax rate to over 45%.

ZIMMERMAN & ASSOCIATES EVENTS

A major player has been added to our staff of professionals. Jeff Quinn joined our team while in the process of becoming a Certified Public Accountant. In December, we all found out that Jeff passed the last section of the exam and is currently waiting on the Maryland Board of Public Accountancy to approve his license. Jeff, a graduate of McDaniel College, has 3 years of experience under his belt in the public accounting field and is quickly climbing the ladder to success! He joins our Accounting Department as our QuickBooks expert and is ready to answer any of your technical questions.

SPENDING QUALITY TIME WITH FAMILY –

Over the past year Shaun and Carol Zimmerman have been strengthening their mother-son bond by spending their Tuesday and Thursday nights together learning Martial Arts. They are presently working on their fourth level belts.

TAX CREDITS ALL AROUND – We would like to wish Jeff Quinn the best of luck as he has been scouring the housing market for the perfect house. Jeff is planning on a townhouse in Reisterstown, where he will be joined by his fiancé and their three pets. His home is under contract with the seller and hopes to move in during January; **taking advantage of the First Time Home Buyers Tax Credit!**

Z&A's neighboring tenant, Wolverine Construction, invited them to their holiday luncheon at Fogo De Chão Brazilian Steakhouse at the Inner Harbor. A great time was had by all. Following the luncheon the Z&A group walked across the street to the ESPN Zone to play a few sports games.

Z&A would like to take this opportunity to introduce you to our new found friendly clients:

SELANDER PROPERTIES, LLC
PROCOAT APPLICATIONS, INC.
FOAMSULTATION, LLC
BAY CONTRACTING, INC.
TILT UP CONSTRUCTIONS, LLC
C&C COMPANY, INC.
A&J PAINTING
CAVEO NETWORK SOLUTIONS, INC.
VH MANAGEMENT, INC.
E.O.S., LLC
CORAL AV DESIGN & RECORDING
ACCURATE SUSTAINABLE CONSTRUCTION
SUSTAINABLE BUSINESS SOLUTIONS, LLC
EPITOME OF SERVICE, LLC
EYE VISION, INC.
WHITEHALL BUSINESS CENTER, LLC
BMG CONSULTING, LLC
DOWN RANGE SERVICES, LLC
DANIEL HIMMELFARB, LLC
RADON REMEDIES, INC.
DAN HIMMELFARB COMPANY

HAPPY HOLIDAYS

From all of us here at the Z&A professional building – have a great holiday season. May the New Year bring hope, love, happiness, and success to each and every one of you!

HAPPY NEW YEAR!!!

FOOD FOR THOUGHT

People often say that motivation doesn't last. Well, neither does bathing - that's why we recommend it daily.

Be thankful for the difficult times. During those times you grow.