

SUMMER 2009

Quill

NEWSLETTER



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Editor: Jeremy "Hank" Farrah

*Runyon
Kersteen
Ouellette*
 Certified Public Accountants
and Business Consultants

Changes to the First Time Homebuyer Tax Credit

Tim Gill



On February 25, 2009 the IRS announced, as part of the American Recovery and Reinvestment Act of 2009, several temporary changes to the first time homebuyer tax credit. The changes apply only to homes purchased from January 1, 2009 to December 1, 2009. The new act passed by Congress expands the amount of the credit, from a maximum of \$7,500 in 2008 to \$8,000 in 2009, for individuals, and those who are married and file jointly. For those who are married and file separately the maximum credit for each person is \$4,000. Some filers may

receive less than the maximum, as the credit is also limited to 10% of the purchase price of the home. For tax purposes, the purchase price of the home includes not only the cost of the home, but also any legal fees or recording fees. These fees are usually listed on the home purchase settlement statement. The tax credit also applies to those who have built their own home, provided it is their first. In this case, the purchase price of the home includes all costs of construction. The purchase date of the home is determined by the first day it is occupied as the taxpayer's primary residence.

Another change to the first time homebuyer tax credit is the repayment. Unlike other tax credits the first time homebuyer tax credit was originally designed so that the taxpayer repaid the total amount of the credit to the government over fifteen years. Essentially the government intended this program to act as an interest free loan; at least until the recent economic stimulus package was approved. Now, during the specified period, if a taxpayer buys their first home they can claim the increased tax credit without having to pay the government back. The only exception to this rule is, if the home ceases to be the taxpayer's primary residence within three years of the purchase date, then the credit must be repaid. To repay the credit, the taxpayer should list the total amount of the credit received as an additional tax on the tax return for the year the home ceases to be the taxpayer's primary residence. However, if the home is sold to a non-relative the additional tax is limited to the amount of gain on the sale.

Almost anyone purchasing a home for the first time can claim this beneficial tax credit. Although, for those whose modified adjusted gross income (MAGI) exceeds \$75,000 (\$150,000 if married filing jointly), the credit will begin to phase out until your MAGI hits \$95,000 (\$170,000 if married filing jointly), at which point the credit is completely eliminated.

The first time homebuyer tax credit is a great incentive to purchase a home. Home prices are at historical lows, and this credit offers the American taxpayer a great way to make their dream of home ownership a reality. For more information and forms regarding the first time homebuyer tax credit visit:

<http://www.irs.gov/pub/irs-pdf/f5405.pdf>.

Are you Subject to the New "Red Flag Rules"?

Kathy Tyson

Are you a "creditor"? If so, new "red flag rules" may apply to you. A creditor is any business or organization (including governments) that regularly defers payments for goods or services or provides goods or services and bills customers later. Once you determine if you are a creditor, you must determine whether you have any "covered accounts" (as defined by the rules).

Are you Subject to the New "Red Flag Rules"?, continued

A consumer account you offer your customers that's primarily for personal, family, or household purposes that is designed to permit multiple payments of transactions qualifies as a covered account. An example would be a credit card account, mortgage, auto loan, or utility accounts. Additionally, any other account that a creditor offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the creditor from identity theft, including financial, operational, compliance, reputation, or litigation risks. Examples include small business accounts or single transaction consumer accounts that may be vulnerable to identity theft.

The Federal Trade Commission will be enforcing the new rules which require the development, implementation, and administration of Identity Theft Prevention programs. Four basic elements are required:

- ◆ Your program must include reasonable policies and procedures to identify the "red flags" of identity theft you may run across in the day-to-day operation of your business.
- ◆ Second, your program must be designed to detect the red flags you have identified.
- ◆ Third, you must spell out appropriate actions you'll take when you detect "red flags".
- ◆ Lastly, you must address how you will re-evaluate your program periodically to reflect new risks from this crime.

Your governing board should approve your first written program. The new deadline for implementation is August 1, 2009. For more information, go to ftc.gov/redflagrule.



Governmental Bond Issues: SEC Continuing Disclosure Rule 15c2-12

Laura Bryant

As of July 1, 2009, the amendments made by the SEC to the Continuing Disclosure Rule 15c2-12 in December 2008 will be in effect. These amendments were incorporated to help simplify the requirements.

Originally, Rule 15c2-12 required an underwriter to determine if the Governmental Issuer had provided (in writing) financial information and material event notices to every nationally recognized municipal securities information repository and to the appropriate state information depository before purchasing or selling bonds in connection with a covered bond offering. The SEC has now decided to allow issuers to file this information electronically at a single location.

The new single location for filing disclosure information is known as EMMA. EMMA stands for Electronic Municipal Market Access System. This service was established by the Municipal Securities Rulemaking Board which will collect documents from issuers and allow free public access to that information. It will also allow issuers to file previous annual information, if necessary. Issuers will no longer have to file with multiple nationally recognized municipal security information repositories, since the use of EMMA will satisfy that requirement. The issuer should review the new disclosure rules with their bond counsel to ensure understanding. Any new continuing disclosure agreements that are established should state that annual financial information and any material event notices will be filed with EMMA subsequent to July 1, 2009.

EMMA provides a variety of information on its website. One can view municipal bond official statements, historical trade information and consolidated disclosure and price information. There are no new disclosure requirements with regard to the

new filing requirements. There is also no cost to use EMMA filing service. To learn more about how to use EMMA and file disclosures, go to www.emma.msrb.org. Municipal Securities Rulemaking Board has established a practice program on the website for issuers to use and learn prior to the deadline of July 1, 2009.

Revisions to Form 990

Derek Laverriere

Until the latest revision was finalized, IRS Form 990 had not been significantly changed since 1979. In June 2007, the IRS released its first draft of the new 990. After significant discussion and comments from the public, the IRS revised the draft and finalized the new 990 in December 2007. The new 990 is for the tax year 2008 (meaning it will only be filed for organizations with a year ending 12/31/08 or later).

The purpose of the new 990 was, among many things, to improve transparency of the organization's activities and provide a basis for comparing similar organizations. To do this, the IRS has designed an 11 page core form that must be completed and filed by each 990 filer. To supplement the core form, the IRS has assembled 16 schedules (A-R) designed to gather additional information and standardize responses for organizations performing specific activities. The new schedules are meant to promote complete and uniform reporting of information that had previously only been asked to be attached, which resulted in incomplete or missing information.

The good news is that the IRS has implemented new tiered thresholds allowing smaller organizations more time to prepare for this major change. For the 2008 tax year, if gross receipts are less than \$1 million and assets are less than \$2.5 million the IRS is allowing the organization to file Form 990-EZ. This greatly reduces the filing burden on these organizations.

For organizations that do not qualify for Form 990-EZ, one of the newest sections is Part VI, Governance, Management, and Disclosure. It is strongly recommended that management and the board review this section. This new section asks questions about the composition of the organization's board or governing body, certain governance policies and practices, and how the organization is held accountable to the public by making governance and financial information publicly available. Many of these questions ask about policies that are not required and are only considered best practices, but it is important to be aware that the 990 is public information, and that it offers the opportunity to show the public that strong governance and policies are in place within the organization. One such new question asks if a copy of the Form 990 was provided to the organization's governing body before it was filed, and requires the organization to describe the process the organization uses to review the Form 990.

While there are significant changes to the Form 990 that require additional work for the organization, users of the 990 will have an easier time reading and understanding the return as well as comparing that information with similar organizations.

RKO Promotions



Congratulations to the following employees at Runyon Kersteen Ouellette who were awarded promotions:

Rebecca Simpson of Biddeford, from Assistant Accountant to Staff Accountant; Tim Gill of South Portland, Rory O'Brien and Patrick Sage of Portland, and Derek Laverriere of Old Orchard Beach, from Staff Accountant to In-charge Accountant; Hank Farrah of Westbrook, Casey Leonard of Portland, and Peter Way of South Portland, from Manager to Senior Manager.

No Tax on Long-term Capital Gains for Some

John Libby

Now that we are beginning to see some positive signs in the market, we may be thinking about the tax impact of our stock transactions. The premise behind investing in stocks has always been buying low and selling high. Unfortunately the year in which you sell high means paying your favorite Uncle Sam a percentage. The Tax Increase Prevention and Reconciliation Act of 2005 extended the Jobs and Growth Tax Relief Reconciliation Act of 2003, which lowered the long-term capital gains tax from 20% to 15%. What's more attractive was that it reduced the long term capital gains for those taxpayers in the 10-15% income brackets from 5% to 0% starting in 2008 and ending in tax year 2011. The break is limited to those taxpayers in the lower income brackets, but there may be some ways for others to still take advantage.

The income thresholds for 2009 for the 0% long-term capital gain and qualifying dividends rates are: Married Filing Joint \$67,900, Head of Household \$45,500, Single and Married Filing Separately \$33,950. At first glance these income levels may seem low, however they are your taxable income and not your gross income. For instance, a married couple filing jointly with no children can have adjusted gross income of \$86,600 and still be able to take advantage of the 0% tax rate on their long-term capital gains and qualifying dividends, assuming they take the standard deduction of \$11,400. Taxpayers who itemize will have a higher adjusted gross income limit depending on the total of their itemized deductions.



CALCULATING THE THRESHOLD

Adjusted gross income	\$ 86,600
Standard married filing jointly deduction	\$ 11,400
Personal exemptions (2 x \$3,650)	\$ 7,300
Zero percent taxable income threshold	\$ 67,900

Even if your income exceeds this threshold, you may still take advantage of the no long-term capital gains tax to the extent your other (non-capital gain) income does not exceed the income threshold. You may be able to take advantage of the 0% long-term capital gains tax on part of the capital gains.

Looking to the rest of the year, assuming current laws remain unchanged, you may consider adjusting your sources of income to take advantage of the 0% long-term capital gains and qualifying dividends rates. For instance, if you receive a large portion of income from IRA's you may consider taking the minimum and selling those stocks that may have appreciated over the years.

The new rates may not be available to everyone, but if you are one of the many borderline people teetering on the 15% and 25% tax brackets, you may want to take a long hard look at your options. We are available to prepare tax projections for you to maximize your after tax return.



www.rko-cpas.com

SOUTH PORTLAND
20 Long Creek Drive
South Portland, Maine 04106
(800) 486-1784
(207) 773-2986

WATERVILLE
30 Elm Street
Waterville, Maine 04901
(800) 639-2160
(207) 877-9397

The Quill logo consists of the word "Quill" in a blue, serif font, positioned to the left of a stylized blue quill pen that is angled upwards and to the right.

Firm Announcements



Runyon Kersteen Ouellette would like to welcome three new employees:

John Libby recently accepted a position as a staff accountant for our South Portland office. John worked in public accounting as a municipal auditor, left public for a job in private accounting and is returning to public to pursue a long-term career.

Michelle-McNeil-Brown recently accepted a position as an assistant accountant for our South Portland office on a part-time basis as part of a school internship. Michelle is graduating from USM with a B.S. in Accounting. She has significant experience with Quickbooks.

Ryan Cormier recently accepted a position as a senior municipal auditor for our South Portland office. Ryan has 5 years auditing experience.



Congratulations to Laura Bryant, a senior accountant at Runyon Kersteen Ouellette, and her husband Luke on the arrival of their son, Levi John Bryant.

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