

H & R PYE'S TAX SAVER

December 2009

Over 65% of our clients preschedule their tax appointments each year. This means that they have either made the appointment when they saw us last tax season or they called us during the year. This works well for you, the client, because you get a better choice of appointments. It works well for us because we can plan our schedule better. If you don't already use our prescheduling program we would like to encourage you to try it.



If you had prescheduled your appointment, then we would have had it in this box for you. Since you did not **Please call to make your appointment as soon as possible.**



Call & Confirm Your Appointment by January 23rd and you could be a winner. See page 5 for details



We have put your appointment on a removable sticker. You can remove it and put it on your calendar to remind you of your appointment.

If this time is not convenient for you.

Please call us:

If you have moved and/or changed your phone number since we last did your return.

If your tax situation has drastically changed from last year.

We want to thank you for being our client. We appreciate the trust that you place with us to prepare your tax returns each year. We are still accepting new clients and welcome your referrals.

Moved in the last year? We can still prepare your return—see information on page 5.

This is our 2nd newsletter for the 2009 tax return. We sent an earlier letter in August because we wanted to provide you with information about year end tax savings as well as information about your investments. If you have not looked over that newsletter, we encourage you to do so now.

If you have already called us to confirm your 2010 tax appointment you do not need to call us again unless you need to change your appointment.

Our Web Site: It is up to date with our checklists, contribution worksheets and latest newsletters www.pyestax.com. If you haven't visited our website at www.pyestax.com yet please do. You will find many timely tax tips, helpful ideas on educational savings plans, business, retirement and social security. We think it's worth a visit and welcome your comments.

Maine Tax Break for College Students Who Attend Maine Schools and Plan to Live and Work Here

The Opportunity Maine Program provides a state income tax credit for student loan payments made by degree earners who

live, work and pay taxes in Maine following graduation. Alternatively, the tax credit would be available to Maine businesses that make their employees' educational loan payments. Learn more about this program by checking out this website www.opportunitymaine.org and sign up for it at your school's financial aid office. (julieedw)

We are adding a new service—Prepaid Mastercards. This service will allow our clients to have our fee deducted from their tax refund—we have found a new company to provide this service for only \$16.95. This fee covers the cost of setting up the Prepaid MasterCard and the processing of our tax return preparation fee.

The card will work just like a MasterCard but with no bills to be paid since the charges will be deducted from your prepaid balance on the card. And no possibility to go over your limit, because the amount you can charge is limited to the balance available on your card.

If you need to have a check issued to a landlord or other creditor, you can request that a check be issued to the company/person and they will send the payment out for you on the same day you request it for a fee of 50 cents.

If you do not have a bank account and are frustrated by banks giving you a hard time about cashing your paychecks, you can also use this card to have your paycheck direct deposited.

There are many ATMs around here that will allow you to make withdrawals against your card for a fee of \$1.50.

There is no charge when you use the card as a credit card.

We will have more information available in our office on how this service works, and how to use the card.

We have tried to offer a similar service in the past but found the fees to be too high to justify the cost.

This new company has more to offer to you, our client, at a much more reasonable price.

If you would like some more information, please ask us.

Tax Fraud Hotline

If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by calling the IRS at 1-800-829-0433 or report on Form 3949-A (available at www.irs.gov). File Form 211 to receive a reward if applicable. Maine tax violations can be reported by calling 207-624-9600. The caller can remain anonymous.

New Rules in 2010 for Converting IRA to Roth IRA

In the past, if your modified Adjusted Gross Income was greater than \$100,000 than you could not convert your Regular IRA to a Roth IRA. This limitation no longer exists for tax years beginning after December 31, 2009.

If you choose to do this conversion, you can pick up 1/2 of the income on your 2011 tax return, and the 2nd half on your 2012 tax return. Or you may chose to report full amount of income on your 2010 tax return.

There are a number of tax planning considerations including what are the tax rates going to be for 2011 and 2012, what tax bracket are you in etc.

Roth IRA Conversions may not be for everyone—in general they make the most sense:

- ☞ If you are able to pay the taxes with money from non retirement funds. If you have to use retirement money to pay the taxes, then you will have less money in the account to grow tax free.
- ☞ If you have a number of years until retirement. This allows more time for the money to grow tax free and offsets the fact that the tax is being paid up front.
- ☞ If you expect that your future tax rates will be higher than the tax rates you are paying now, either because your income will be higher at that time or because rates in general will be higher.
- ☞ If you do not foresee a need to live on IRA withdrawals. Because Roth IRAs have no minimum distribution requirements, they can grow tax free even after you turn 70 1/2.

Roth IRAs are not necessarily the best choice for everyone—if you would like to discuss the advantages and disadvantages please call us.



IRS Needs Extra Time To Process Amended Tax Returns

Parents that have children who are working should have a talk with their children about their income tax return. The children should not be doing their own tax return. Every year we have a number of children do their own tax return. Then along comes the parents return and low and behold the child has claimed themselves on their own return and the parents claimed the same child. The first return that hits the computer will go thru with no problem. When the second return hits the computer that's when things go down hill.

The parents will get an IRS notice stating that the child has been double claimed. This can cause somewhat of a mess. Many times the child didn't get much of a benefit by claiming themselves. It could cause the parents a lot of money if it is not corrected.

It used to take 8 to 12 weeks to get things like this corrected. But now it can take 16 to 20 weeks. The increased time to process amended returns is because the IRS has been hit with a large number of amended tax returns due to the first time home buyers credit. There are over 1.4 million taxpayers that have taken advantage of this credit.

Not getting this corrected in a timely manner could cause problems getting financial aid for children going to college. Also having the parents return delayed could slow down a needed tax refund.



H & R Pye's 2009 Year

We hope that all of you have had a healthy year! We are very pleased to report that Ron's cancer is still in remission!



Unfortunately, we lost our short haired kitty Depreciation to cancer on Monday November 23rd. She had bravely fought 2 tumors (the first in February and the most recent in November) and the resulting surgeries.

Unfortunately, it became a neurological issue and we did not want to subject her to brain surgery. We were fortunate to have her with us, happy and in good health until the weekend before Thanksgiving. We want to thank Dr Karen Freedman of Androscoggin Animal Hospital and their staff for all of the great care and support that we received.

This time of year has been doubly sad for us because we lost her sister, our long haired kitty 1040 to cancer November 24th, 2008—which was also the Monday of Thanksgiving week.



Ron and I know that we were very fortunate to have had our 2 most loving and friendly kitties as part of our family for 16 1/2 and 15 1/2 years respectfully. They will be greatly missed but will always remain in our hearts and spirits.

Ron and I want to thank all of our clients who helped us raise money for the American Cancer Relay for Life. With your help we raised over \$5000 for this worthy cause. We will again be walking in the American Cancer Relay for Life this year and would appreciate any and all donations to this worthy cause.



In June we attended the IRS Tax Forum in New York City. This was Holly's first time to New York, and Ron's first time since he graduated from High School. We attended some very informative sessions and also got to do some sightseeing. We did a tour of the city during the day and night. We went up in the Empire State Building and went by boat to see the Statue of Liberty. We also saw the Broadway show Mama Mia—very fun show.



Our granddaughter came to Maine for a visit in August, and we had fun taking her shopping to get ready to go back to College. We went on a Boothbay Whale Watch—but unfortunately not only did we not get to see any Whales (we have rain checks for next year) but the seas were very rough and Caitlin and Holly both ended up sea sick.

In order to stay current and better serve you, our client, we attend many hours of Continuing Education each year. This year, in addition to the 3 day IRS Tax Forum in New York City, we attended a 2 day MAPA tax seminar in Boothbay Harbor, a 2 day NCPE tax seminar in Massachusetts, a 1 day NNESEA tax seminar in Concord, NH, and a 1 day Score 1040 and Maine Update in Portland. In addition, Holly attended the 4 day H D Vest National Conference in Texas and a 1 day Estate and Trust Seminar in Portland. (jdwil)

We have taken some time off this year, including our visits to Foxwoods and spending time with family and friends. Our big trip is happening in December. We are leaving on Saturday December 5th to go on vacation at Disney World in Orlando for a week. We will be celebrating our 25th Wedding Anniversary and Ron's birthday. We have tickets to attend Mickey's Very Merry Christmas Party and reservations for dinner and seats at the Candlelight Procession in Epcot.

This will be our first trip to Disney World during the Christmas season and we are looking forward to the Christmas decorations and shows.

We hope that you and your family have a good and healthy year. We hope that your Holidays are Happy ones and that you are able to make special memories. We wish you health and prosperity in the coming year.

If you are in the Military or have family in the Military, we want to thank you for your (their) Service to our Country. We pray that everything goes well and that everyone gets home safely.

We continue to pray for peace and health for you and yours.

Holly & Ron Pye



Year End Tax Savings Ideas

It's that time of year again. Time to take steps to save yourself money on the tax return you will be filing soon. Although we have mentioned these ideas in the past they are well worth repeating. After all, we all want to minimize our income tax bill each year.

If you are able to itemize now is the time to do some year-end tax planning.

Start by looking at your itemized deductions. If your itemized deductions are just below or only slightly above the standard deduction (Married Filing Joint \$11,400; Head of Household \$8,350, Single \$5,700) you should think about moving your deductions from one year to another so that you itemize one year and use the standard deduction the next year. By doing this you will maximize your tax savings.

Another way to optimize your itemized deductions is to make and keep track of your noncash contributions. We have a Donation Worksheet to help you compile your list and get values. If you need more worksheets please call us or you can get them on our website. Remember to get a signed receipt for all donations. You can move your deductions by timing when you pay for things that qualify for itemizing on your tax return such as:

January mortgage Property Taxes
Contributions -
State Taxes (if you pay estimated taxes)

Even if you itemize every year, you can also benefit from thinking about when you make these payments.

1. Double up on real estate taxes - prepay the 2nd installment or pay towards next year's taxes.
2. Make some (or all) of your contributions this year that you had planned for next year - clean out your closets before the end of the year (**Remember you need to make a list of what you are donating and get a signed receipt**) and help out others while helping yourself to a bigger tax deduction. If you need more donation sheets please call us or go to our website www.pyestax.com

You should complete the worksheet and total it before you come in for your appointment. If we have to do this for you we must charge you for our time.

3. If you make estimated payments towards your income taxes try to make your January State of Maine estimated payment before 12/31/09.
4. If you have extra money, make your January mortgage payment in time so your bank will post your payment before 12/31/09 - this will increase your mortgage interest deduction. You should check with your bank first to make sure that the early payment will get posted so that the interest will be included on your mortgage interest statement for 2009 (there are some banks in the area who will not do this so please check first).
5. If you have a lot of medical expenses this year and believe that you will exceed 7 1/2% of your income, make sure that you pay all the medical bills you have so that you can maximize your deduction. Make sure that you go back over the past year and make a list of all of your out-of-pocket expenses for the dentist, eye doctor, doctors, prescriptions, eye glasses as well as hospital and lab fees. And don't forget to figure out your mileage to all of those places as well. You now get 24 cents per mile for your medical mileage.

Other ways to save on your taxes:

6. Wipe out the tax on investment gains. Sell assets on which you have losses before the end of the year and use the losses to offset the capital gains you've taken earlier in the year, especially short-term capital gains which are taxed at up to 38.6%. In addition to offsetting an unlimited amount of capital gains with capital losses, you can use an extra \$3,000 of losses to offset salary and other income. Capital losses you can't use on your 2009 return can be carried forward and applied against gains and up to \$3,000 of other income in future years.
7. Put money into your IRAs, or if you have a business your Sep-IRAs, Keoghs, Simple-IRAs, or Solo 401k by April 15th. Make sure when you make your contribution that you tell them it is for 2009. Simple-IRAs had to be set up by October 1st, so if you don't have one set up now it is too late for 2009 - but you can get it set up now so that it will be ready for the year 2010 because you don't need to put any money in to get it set up. Keoghs and Solo 401ks need to be set up by December 31st. All have until at least April 15th to do the contributions themselves.

If you have a business:

8. Buy equipment before the end of the year. You can deduct up to \$250,000 as a first year write-off with the IRS however Maine only allows \$25,000. By purchasing equipment now that you were planning to buy in the first part of next year, you will save on your tax return that is due April 15, 2010. If you delay the purchase until the first few months of 2010, you will have to wait until April 2011 before you will see the tax savings.
9. If you operate as a sole proprietor then you can hire your

kids for the holidays. You don't owe Social Security, Medicare, or unemployment taxes on wages paid to your children who are under 18. Not only will you get a great tax deduction, but your children can shelter up to \$5,700 of income earned in 2009 with their standard deduction. Also, each child can put up to \$5,000 of their pay into a Roth IRA and never pay taxes on the accumulation.

- Hire your spouse. If you have no full-time employees, you can hire your spouse and as a condition of employment agree to provide him/her and his/her dependents with health insurance and medical reimbursement. This strategy will move your medical expenses onto your Schedule C and save you income taxes and self-employment taxes as well. You will pay Social Security and Medicare taxes on his/her wages, but just as you do not have to pay Unemployment Taxes or Worker's Compensation on your children under 18, you no longer have to pay these for your spouse. **(jjmcc)**

If you are interested in hiring your spouse and/or your children you will need to set up a payroll. If you would like more information on this please give us a call.



MORSE HIGH SCHOOL
Class of 1960
50th CLASS REUNION

I am asking our clients to help find members of the mighty class of 1960 from Morse High School.

The reunion is June 11th, 12th, and 13th, 2010. It will be our 50th class reunion. We want to make this 50 year class reunion the biggest reunion to hit Morse High. Please pass the word about this request.

There have been 2 meetings so far, there is a lot of work to put this nice time together. If you are a member of the class or are a client that knows of a 1960 class member please get the word out about the 50th reunion.

Please get involved. You can contact:

Joyce Ring Wilson keepah@suscom-joriemaine.net

Marjorie York Robinson marge-jim@myfairpoint.net

Arolynn Francis arolynn@arolynn.com

Ron Pye ronpye@pyestax.com

At one of the class meetings it was decided that a booklet commemorating our 50th reunion should be put together. Ellen Fletcher Allen is in charge of doing this big job and needs your help ASAP. Please help Ellen get this done in a timely manner.



To contact Ellen her e-mail is rdefallen@aol.com her mailing address is 7 Paxton Lane – Topsham, Me 04086-6219.

Please plan to attend—You'll have a great time!!



Holly's sister Cheryl sent this to us, and we thought it would be good to share them with you.

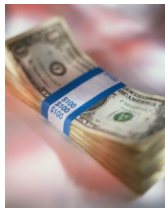
Subject: Aphorism—Good Sayings

APHORISM: A SHORT, POINTED SENTENCE EXPRESSING A WISE OR CLEVER OBSERVATION OR A GENERAL TRUTH

- The nicest thing about the future is that it always starts tomorrow.
- Money will buy a fine dog, but only kindness will make him wag his tail.
- If you don't have a sense of humor, you probably don't have any sense.
- Seat belts are not as confining as wheelchairs.
- A good time to keep your mouth shut is when you're in deep water.
- How come it takes so little time for a child who is afraid of the dark to become a teenager who wants to stay out all night?
- Business conventions are important because they demonstrate how many people a company can operate without.
- Why is it that at class reunions you feel younger than everyone else looks?
- Scratch a cat and you will have a permanent job.
- No one has more driving ambition than the boy who wants to buy a car.
- There are no new sins; the old ones just get more publicity.
- There are worse things than getting a call for a wrong number at 4 AM. It could be a right number.
- No one ever says "It's only a game" when their team is winning.
- I've reached the age where the happy hour is a nap.
- Be careful reading the fine print. There's no way you're going to like it.
- The trouble with bucket seats is that not everybody has the same size bucket.
- Do you realize that in about 40 years, we'll have thousands of old ladies running around with tattoos?
- Money can't buy happiness -- but somehow it's more comfortable to cry in a Corvette than in a Yugo.
- After 70, if you don't wake up aching in every joint, you are probably dead!
- Always be yourself because the people that matter don't mind, and the ones who mind, don't matter.



Saving Tax Dollars



The 2009 tax return has a number of law changes and credits that could help you save tax dollars. We went to 9 days of tax classes just to keep up with all the law changes. Some of these changes will cause you a little more record keeping.

If you purchased a new motor vehicle that you are the first titled owner, we will need to see your sales contract to get the amount of sales tax paid and also your registration to get the amount of excise taxes that you paid to register the vehicle. You can get these deductions even if you can't itemize unlike in years past. To qualify the vehicle must be purchased after February 16, 2009 and before January 1, 2010.

The **federal energy tax credit** can save you up to 30% of the cost of energy improvements to existing homes, up to \$1,500 combined for 2009 and 2010. There were energy tax credits in 2006 and 2007 up to \$500. If you used the credit in those years you don't count it on the 2009 and 2010 amounts. The 2009 and 2010 credits have a lot more items. When you purchase items make sure they are ENERGY STAR. There is a 5 page list of items at the Web Site- www.energystar.gov that will help you know what items count.

You can't count any items that were purchased in 2008 because Congress worked so slowly to pass any bill that nothing got passed for 2008. The 2009 items must be totaled and keep the invoices for your records. The credit will be a running total for the 2 years not to go over the \$1,500 total credit. Installation costs count for some items, but not for others so the best thing to do is bring in the invoices for your appointment if there is any questions about the amount that qualifies.

With so many law changes and credits on the 2009 tax return we want to show you how some taxpayers can save a good amount of money.

For example: Let's say we have a fictitious couple. Mr. and Mrs. Brown, they are married filing a joint tax return. Their home is all paid for, the property tax bill is \$1,500. They have a daughter Nancy who is 18 years old and goes to college in Boston. The tuition is \$12,500 she paid \$1,500 for books and supplies. Nancy got a loan to pay the \$14,000 to the college. Mr. and Mrs. Brown can get the education credit even though they didn't pay for Nancy's college. The reason is that Nancy is their dependent, so Mr. and Mrs. Brown will get the \$2,500 education credit.

Nancy is liable for the loan because it is in her name so when she starts paying the loan she will be able to deduct the interest paid each year. If Mr. and Mrs. Brown were to take out the loan they would be able to deduct the interest they paid.

Now the Browns purchased new windows, doors, and put in

some extra insulation. The Brown's spent \$7,000 for all of the energy improvements. Now they can get a 30% credit on the first \$5,000 spent so they get 30% of \$5,000 = \$1,500. Now they will not be able to get any energy credit on their 2010 tax return.

The Browns have to get a new motor vehicle because their old auto broke down. They are the first titled owners of this Ford van. They have to pay a 5% sales tax on the \$30,000 cost of the van. So they will get a deduction of \$1,500. Then they can get a tax savings on the \$800 excise tax, estimated excise tax on a \$30,000 van. So they will get a total tax savings of \$345 on the \$2,300 spent. They can get these deductions even though they can't itemize, they will just add the amount to the standard deduction.

The excise tax is the most forgotten tax deduction when anyone can itemize. This year it will be worse because so many tax payers in years past have not been able to itemize. But this year they can get a deduction if they purchased a new motor vehicle between February 16, 2009 and January 1, 2010.

Since the Browns can't itemize they get the standard deduction of \$11,400. Because they pay property tax that are over \$1,000 they will get an increase standard deduction to \$12,400. Then because they purchased a new van they get to add \$1,500 for sales tax and \$800 for the excise taxes.

Mr. and Mrs. Brown are in the 15% tax bracket with the IRS that's taxable income up to \$67,900. They are in the 8.5% tax bracket with Maine. Now the bad thing about this is that the State of Maine will not go along with any of the above credits or deductions.

When taxpayers taxable income is \$67,901 to \$137,050 then they are in the 25% tax bracket. Below is a break down in tax savings at 15% and 25%.

Description	Item \$	15%	25%
Property Taxes	1000.00	150.00	250.00
Excise Taxes	800.00	120.00	200.00
Vehicle Sales Tax	1500.00	225.00	375.00
Energy Tax Credit	5000.00	1500.00	1500.00
Education Credit	4000.00	2500.00	2500.00
Total Tax Savings & Credits		4495.00	4825.00

I think that is worth talking to a child to make sure they don't claim themselves and to make sure that you will get all the tax savings and credits that would be due to you. There are many tax combinations that exist, the above info is to give you some idea as what can happen with the credits. All of us can use a little extra help from the U.S. Government. After all they have helped a lot of banks and other businesses why not help the American Taxpayer. For sure the State of Maine is not going to help any taxpayers save any money.

H & R Pye's Tax & Accounting Service
Registered Representative*:
Holly D. G. Pye, CMA, EA

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PyeH@hvest.net
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Dear Tax Client:

As your tax professionals, H & R Pye's Tax Service has always been interested in helping you minimize your tax bill and maximize the amount you keep. Both Ron and Holly have always been able to show you the tax savings available from investing in various ways. However, until recently, we have been unable to go that one extra step to help you devise and implement an investment plan to make that happen.

Menu of Services:

- Mutual Funds*
- Retirement Planning*
- College Planning
- Investment Services*
- Tax Preparation
- Accounting

To provide you with a complete range of tax and financial services, we are pleased to announce that we have expanded our practice to include investment planning and implementation services. Holly Pye has obtained her securities licenses and life and annuity licenses and has become a registered representative of H.D. Vest Investment Services SM, a non-bank subsidiary of Wells Fargo & Company. Holly is now able to offer you financial services using a total investment planning approach that considers more comprehensive solutions. These services include:

- *Investment Management
- *Cash Flow and Debt Management
- *Family Risk Management
- *Retirement Planning
- *Education Planning
- *Legacy Planning
- *Business Planning
- *Tax Savings Ideas

Holly attended the H.D. Vest Financial Services 23rd National Conference at the Fort Worth Convention Center in Fort Worth, Texas in June. There she learned about the latest in planning concepts and technology within the financial services industry. She also gathered financial strategies appropriate for your situation that she'd like to share with you.

Stock market volatility can try the nerves of even the most seasoned investor. We have posted a number of market updates to our website www.pyestax.com. We want to encourage you to visit our website.

You already have placed a great deal of confidence in H & R Pye's by allowing us to prepare your tax return. Because of that, we are extremely familiar with your financial situation. Now, let Holly put her overall financial and tax knowledge to work for you in planning your financial future, as well.

Sincerely,

Holly & Ron Pye, EAs

Holly & Ron Pye, EAs

Registered Representative*:
Holly D. G. Pye, CMA, EA

*Securities offered through:
H.D. Vest Investment ServicesSM,
Member SIPC
A non-bank subsidiary of
Wells Fargo & Company

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(972) 870-6000



Tax Tidbits That May Affect You and Yours

Standard Mileage Rates:

For 2009, the allowable deductions for the standard mileage rate for the period are as follows

Business: 55 cents for all business miles

Charitable services: 14 cents a mile. This includes volunteer coaching.

Medical reasons: 24 cents a mile remember to include mileage to pick up prescriptions.

Moving: 24 cents a mile for job related moves that increase your work commute by 50 miles or more. Plus tolls and other out of pocket costs. **(kdeva)**

If you prefer, we now are able to provide the client copy of your tax return in PDF format on a CD. This format would permit you to print OR e-mail copies of your tax return when needed for a home or equity loan, financial aid, etc. One major advantage to this format is that we can add future tax returns to the same CD, thus several years' returns will be all together in one place. Please remember to bring back your CD so that we can add this year's taxes to it. We will prepare your CD after tax season.

Do you pay for Long-term Care Insurance? If you do, you may qualify for a tax deduction. Please let us know how much you pay for yourself, your spouse, and/or your parents.

Annual Gift Tax Exclusion. \$13,000 per person for 2009. If you give a gift greater than the annual exclusion per person you are required to file a Gift Tax Return. Please ask about this at your appointment. **If you get a gift it is not taxable to you unless it was something that you sell.** Then you will have to report the sale and pay taxes on the gain. In this case, we will need to know how much the gift cost the original owner. The person who gives the gift does not get a tax deduction.

Property Tax Deduction—if you are not able to itemize your tax deductions but you pay property taxes—whether on your home, vacation home or vacant land—you will be able to get an addition to your 2009 standard deduction of up to \$500 for a single taxpayer or up to \$1000 for a married filing joint taxpayer. Please make sure you bring us the property tax payments when you come in for your tax appointment.

Required Minimum Distributions Suspended for 2009—Because of the depressed Stock Market, the government has suspended the required minimum distribution for tax year 2009. This means that you do not have to take your distribution if you do not wish to and you will not be subject to a penalty. This applies to taxpayers who are at least 70 1/2 as of December 31, 2009. If you are getting a distribution and you don't want one

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for 2009 you must contact the administrator of the plan to let them know you don't want the 2009 distribution. However, if you turned 70 1/2 in 2008 and postponed your first required distribution until 2009 you still have to take that distribution.

Retirement Plan Contribution Limits.

2009 IRA contributions (both regular and Roth) \$5,000 if you are younger than 50 years of age, \$6,000 if you are 50 years of age or older as of December 31, 2009.

Remember you must have earned income from wages or self-employment in order to put money into an IRA account. Your contribution is limited to the smaller of your earned income or the above limits. You are able to look to both spouses in order to qualify for earned income for purposes of contributing to your IRAs.

Type of Plan	2009	Catch up	2010	Catch up
401K	\$16,500	\$5,500	\$16,500	\$5,500
457	\$16,500	\$5,500	\$16,500	\$5,500
403b	\$16,500	\$5,500	\$16,500	\$5,500
Simple IRA	\$11,500	\$2,500	\$11,500	\$2,500
Sep IRA	20% of Self Employment	Max of \$49,000	20% of Self Employment	Max of \$49,000

Tax-free charitable donations for taxpayers 70 1/2 or older—if you wish to make charitable donations and you are unable to itemize your deductions you are now able to have a donation made directly from your IRA to the charity (up to a maximum of \$100,000 per year) without having to report the distribution as income on your tax return. If you would like more information about this, please ask us.

College Student in your family? - whether the student is yourself, your spouse or a child there are possible tax savings available to you. Please remember to bring in the tuition bills that show payments made in 2009 for tuition and fees. And you should also receive a form 1098T—please bring that with you as well. New for 2009, we will also need the cost of the books and supplies purchased.

If you have a 529 plan for your student, you can now use those funds to purchase computer hardware, software, internet access or related services that are to be used by the student.

Electronic Filing—is the safest way to file your tax return and

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the fastest way as well. Most of our clients are already using this service and last year the State of Maine made it mandatory for all tax professionals to file eligible Maine return's electronically with some exceptions. This year the goal is 100% filed electronically.

Charitable Contributions—since tax year 2007, to deduct any donations of money you must have a bank record, credit card statement or a written receipt from the charity showing the name of the charity, the date and amount of the contribution. Unfortunately, if you made a cash donation and do not have one of these receipts you will no longer be able to take the tax deduction.

Thinking about taking money from your retirement accounts? Before you do this, please call us to discuss the tax cost and the alternative solutions that may be available to you.

Capital Gains will be taxed by the IRS at 0% for taxpayers in the 10% and 15% tax brackets, and at 15% for all others in tax years 2008 to 2010. The gain itself may put you in a higher tax bracket on your other income while part of the gain is taxed at 0% and part at 15%. Maine taxes capital gains as regular income with a top rate of 8.5%.

We do want to caution you that with a new President getting elected in November 2008, the Capital Gains rate could change along with a lot of other tax laws. So if you want to take advantage of the 0% capital gains rate, we would suggest that you do it in 2009 if possible.

If you have a dependent who is 23 or younger who have investment income greater than \$1900, the Kiddie Tax Rules will apply to their income. This means they no longer qualify to file a 1040-EZ. Their investment income has to be taxed at your tax rate. We want to encourage you to consider having us do their tax return. You can bring their information with you to your tax appointment but we can not guarantee that we will have time to do their return at that time. We will do it later on and call you when it is ready. Or you can make an appointment to have their taxes done separately from your appointment.

First Time Homebuyers Credit of up to \$8000 extended till April 30, 2010 and some Current Homeowners Now Also Qualify. The new law went into effect November 6th and extends the first-time homebuyer credit five months and expands the eligibility requirements for purchasers.

The new deadline is April 30, 2010 and if you have entered into a binding contract by April 30, 2010, the buyer has until June 30, 2010 to settle on the purchase.

The maximum credit remains at \$8,000 for a first-time homebuyer—that is, a buyer who has not owned a primary residence during the three years up to the date of purchase.

But the new law also provides a “long-term resident” credit of up to \$6,500 to others who do not qualify as “first-time

homebuyers.” To qualify this way, a buyer must have owned and used the same home as a 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, you have the option to claim the credit on either your 2009 or 2010 tax return.

If you would like more information, please contact us.

Social Security Amounts for 2010

- ☞ Social Security benefits will not change for 2010
- ☞ The earnings subject to Social Security tax remains \$106,800
- ☞ Earnings limit for those collecting Social Security who have not yet reached full retirement age remains \$14,160 (\$1,180 per month)
- ☞ Earnings limit for those collecting Social Security who have reached full retirement in the current year remains the same at \$37,680 (\$3,140 per month)

The Making Work Pay Credit—the story continues

As we have discussed in the past, this credit may cause problems for a lot of taxpayers causing them to be under withheld for 2009. Hopefully you have adjusted your withholding and won't be one of the taxpayers getting a nasty surprise at tax time.

This credit is also available in 2010. For 2009, the withholding tables were adjusted to give you the credit in your paycheck over a period of 8 months. For 2010 the credit will be spread out over the entire year's paychecks so the IRS will be issuing new withholding tables. You should expect to see an increase in the federal withholding taxes that come out of your paycheck starting in January. **(aball)**

We need to discuss your withholding with you when you come in for your tax appointment.

Maine Tax Reform Act—On or Off?

The Maine Legislature had passed State Income Tax and Sales Tax Reform last summer. The Income Tax changes were to take place for 2010 tax year. However, on November 9th the Maine Secretary of State determined that the Tax Reform Act repeal initiative had enough signatures to put it on the June 2010 ballot. Which meant that the changes to our State Income and Sales Tax would be suspended until the vote in June 2010.

Now, someone has challenged in court whether there are enough signatures to force the June vote!

So—the State Withholding Books and Estimated Tax Worksheets are based on our current laws—once the final results are in whether it is that a referendum vote will or will not take place—the State will let everyone know via news releases.

Wake Up—Only 3 more pages to read!!!

Save Money On Your Property Taxes



Are you or your spouse a veteran and at least 62 years old? Have you owned your home for at least 12 months? If you answer yes to either or both of these questions, you may be qualified for the Veterans Exemption and/or the Homestead Exemption—call your town office today and ask about them.

Both of these exemptions only have to be applied for once and thereafter you will receive the reduction automatically. They are not a rebate instead they reduce the amount of taxes you pay. **They are for everyone regardless of your income.** Any questions call your town office.

If you move to a new home, you need to request that they transfer these exemptions to your new home.

Maine Property Tax and Rent Rebate

The deadline is June 1, 2010 for this year's program. Unfortunately, the program has been changed so fewer Maine residents qualify.

You may qualify for this Rebate if:

- You are single without any dependents and your 2008 income was \$61,400 or less
- You have a spouse or dependent(s) and your 2008 household income was \$81,850 or less.

And

- Your 2008 property tax was more than 4% of your 2008 household income; or,
- The rent you paid in 2008 was more than 20% of your 2008 household income.

This year's program has been reduced to 80% of the normal rebate.

We have been helping a lot of our clients get this rebate and if you would like our help please bring in your information at tax time and we will get this rebate done for you after tax season.

If you decide to apply for this rebate yourself, please read the instructions carefully because there are a number of items that need to be added into your income to calculate household income.



How To Reach Us

If you have any questions about any of the articles in this newsletter (or any other tax matters) there are a number of ways to reach us:

- * Local callers (207) 443-6183
- * Long distance callers 1-877-pyestax (793-7829)
- * Fax us at (207) 443-8970
- * Email us at hollypye@pyestax.com or ronpye@pyestax.com
- * Our website is www.pyestax.com
- * Our office is located at: 46 Varney Mill Road Bath, ME 04530



2009 Contest Winners!!

There were 6 client codes in the August TAXSAVER. We are very please to report that 4 clients called in. William and Linda Hanson of Wiscasset (wlhan page 2) called in first and won \$50 credit. Steven and Nicole Rice of Oakland (snric page 7) called in second and won \$40 credit. Cindy Marcantonio of Texas (cmarc page 4) called in third and won \$30 credit and Kristen and George Mugnai of Alna (kgmug page 6) called in 4th and won \$20 credit. Unfortunately, Wilmer & Ellen James of Wiscasset (wejam page 1) and Frank & Chrystal Bishop of Brunswick (fcbis page 3) did not find their codes.

Remember all you have to do is read our newsletters - not only will you have a chance to win you also may learn something that may help lower your taxes.

We want to thank everyone who referred a client to us this past year. No one referred more than 2 clients, so we only had the \$50.00 drawing. Dana McIntire will be receiving a \$50.00 credit memo towards the cost of our services. Congratulations Dana!

Do You Need An Early Tax Appointment?

Do you need to have your return done early because you have a child that needs it for student loan information?

Are you a **self-employed fisherman** and earn 2/3 of more of your family's income from fishing? If you are you must file and pay your taxes on or before March 1, 2010

Do you own a business? Remember we offer an Early Business Discount. If you have **ALL of your business records completed** and are just waiting for a few 1099s , W-2s and your bank documents then you are eligible for our Early Business Discount. To get the discount you need to have your tax appointment with us **by Friday January 23rd and get us the rest of your information by March 15th.** Remember, you should have all your information totalled by categories in order to minimize any accounting fees.

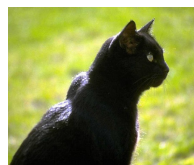
Call us at 443-6183 as soon as possible if any of the above situations apply to you—January and February appointments fill up fast.

Welcome Our Staff

We want to welcome back Debbie Horne for her 10th tax season with us. Laura Hall is back with us for her 9th tax season. Both Debbie and Laura work for us year round. Carol Toothaker is returning for her 5th tax season with us.

We extend a warm welcome to Lynne Atkinson, Cheryl Bartlett, and Nancy Kerner who are joining our staff for the first year.

In Loving Memory



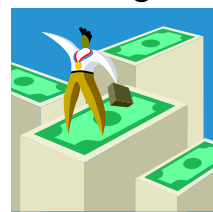
Although we have lost both 1040 and Depreciation to cancer, they will both be with us in spirit and in our hearts.



Business Owners—Save 50% on our fees for preparing your W-2s and 1099s



2010 Contest Prizes



Make Sure You Look For Your Client Code - You Have Now have 6 Chances to Win!

Client Code Contest—December 2009 Newsletter: The first caller will receive a \$50 credit off their 2009 tax return preparation fee. The 2nd caller will receive a \$40 credit, the 3rd caller will receive a \$30 credit and the 4th thru 6th caller will receive a \$20 credit off their 2009 tax return preparation fee. You have a good chance to be a winner so don't give up because you could also get some good ideas - just by reading our newsletters.

The deadline for claiming your Client Code prize is Monday **February 10, 2010**. Good luck and we hope you enjoy our newsletter.

Prescheduled Appointment Contest: 1st prize: \$25 credit memo, 2nd thru 6th prize winners each get \$15 credit memo towards our services. Deadline is **Thursday January 23rd, 2010**.

Client Referral Rebates Contest: \$6 credit memo for each referral; Special drawing: 1 to 2 Referrals \$50 Credit Memo; 3 or more Referrals \$75 Credit Memo.

Confirm Your Appointment Contest: Call and confirm your tax appointment by **Thursday January 23rd, 2010** and be entered into a drawing for 3 separate \$100 cash prizes.



Are You Planning On Mailing Your Tax Information To Us?

Are you going south for the Winter or have you moved out of the area? We can still do your tax return. With mail service, e-mail service, fax machines and phone service State Boundaries no longer have to determine who you trust with your tax information.

We are requesting that all clients who mail us their tax information make sure that they use one of the following methods: Certified Mail, Return Receipt Requested; Express Mail; Federal Express; UPS. By using one of the above methods, you will have the security of knowing that your paperwork will arrive safely and you will also have verification that it has arrived. These methods could also save a lot of mailing time and help us to be able to complete your return in a timely manner.

One of the services we provide is preparation of W-2s and 1099s for clients that have businesses or rental property. These forms need to be postmarked on or before January 31st. In order to meet this IRS deadline we need to have your information by Monday January 18th, 2010. **If you have all of your information to us by January 18th, we will give you a 50% discount off the cost of preparing these forms for you.**

If you are missing addresses or social security numbers you need to work on getting this information now so that you will be able to qualify for the discounted prices. Please make sure the names match their Social Security card or their Federal Identification records.

Please don't wait to give us this information when you have your tax return done. Not only could you be fined a penalty by the IRS but it is not fair to the people who are supposed to be receiving these forms by January 31st. If we do not receive your information in time to prepare these forms in a timely manner we will put a notice in the recipient's forms to let them know that it is not H & R Pye's Tax Service's fault that they have received them late. And we will charge a higher preparation fee for any given to us after January 18th.

Regular prices if receive information from you after January 18th:

1099-1st one	30.00	1099-each additional	24.00
W-2-1st one	32.00	W-2-each additional	24.00

Discounted price if receive information from you by January 18th:

1099-1st one	15.00	1099-each additional	12.00
W-2-1st one	16.00	W-2-each additional	12.00

As you can see, you will save a significant amount of money by getting us your 1099 and W-2 information by January 18th. We are offering this substantial discount because our workload substantially increases after January 18th and we need time to have these forms prepared by our staff for you.



Checkoff Lists Enclosed

We have enclosed a personal checkoff list for everyone.

If you have a business then we have also enclosed a business checkoff list. We have developed specialized business checkoffs for Real Estate Agents, Day Care Providers, Truckers, Fishermen and people with Rental Property. If you have received a regular Business Checkoff list and you would like to have one of the specialized Business Checkoff lists please call us and we will send it to you or go to our website www.pyestax.com (sbpal)

Remember if you own a business don't forget you should have all your information totaled by categories in order to minimize any accounting fees.

Help us save a tree by bringing your Checkoff Lists with you - even if you haven't written anything down. **Remember if you plan to mail in or drop off your information you must answer all the questions, if you do not it could delay doing your tax return because we can not take anything for granted. You also need to sign the Engagement Letter we sent you with your Mail In Drop Off Checklist.**

Directions To Our Office

The directions are the same whether you're coming from Bath or Brunswick.

Get off the 4 lane Highway at the West Bath Exit. At the stop sign at the end of the ramp you're 3.2 miles from our office. You will turn right at this stop sign.

You are now on New Meadows Road, go to the end of this road. At the stop sign you will see our 1st black & white direction signs. At the stop sign you will take a right turn and then a very quick left turn.

You are now on the Ridge Road. You will go straight the length of the Ridge Road 2.1 miles. About halfway down the Ridge Road the road looks to be a natural right turn, *don't take this turn*. Keep to the left. You will come to a stretch of woods, don't be alarmed you're not lost. At the end of the Ridge Road there is a stop sign. You will turn right and go up a small hill.

After you go up the hill about 100 yards you will take your first left turn. You will see signs 'Children Playing', 'Dead End Street', '25 Miles Per Hour',

H & R PYE'S TAX
& ACCOUNTING SERVICE
46 VARNEY MILL ROAD
BATH, ME 04530

and there is a street sign but it can be hard to see (it's on the left).

Our office will be the fourth home on the left, it's a blue mobile home with a large deck and garage with our office overhead. We are at 46 Varney Mill, there are numbers on our mailbox as well as our sign post. There is a H & R Pye's sign on some lattice work.



Your Tax Appointment and Checkoff List Is Enclosed

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