

✓ PAC TAX

January 2010

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Thank You for Your Business

At PAC Tax we would like to take the time to thank you for your continued loyalty. For over forty-five years, PAC has remained a family owned and operated business. It is our goal to be your tax preparation service for a lifetime. We are proud of our prompt, professional, personal service and want to help you develop a long-term tax strategy. Thank you for your business and for your referrals.

Scheduling your Appointment

Scheduling your appointment is O-SO-EZ, call us at 651-738-0457 or 1-800-822-3114 and let us know who you would like to schedule your appointment with. Please have an alternate time when calling if your first request isn't available. You can also drop-off, mail, email, fax, or passenger pigeon your documentation to us even if you have moved out of state. Each year we prepare returns from across the United States. To keep your cost down we do not accept credit cards, so please bring a checkbook, cash, or bank information to pay for your tax preparation service.

The Family that Files Together, Smiles Together

It benefits everyone to file together to maximize your overall refunds and have your family's tax returns done correctly. It's important that the right hand knows what the left hand is doing. If you have dependents that are working, in college, or divorced it's important that everyone is in agreement on who is claiming who. This saves the headache of having to amend returns later. We offer discounted rates for dependents. Even if we don't prepare the dependents return, we can give you the correct advice on how they should file.

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Tax Code Complexity at Record High! Get your Piece of the Pie!

Ben Franklin said "Fools need advice most, but wise men only are the better for it." While on the surface your return may appear simple, even the most benign looking tax returns can have many intricacies. With our government giving away more rebates, credits, and kickbacks than ever, it pays to see a professional to get your piece of the giveaway pie. If you can't download pictures off your digital camera, then you probably shouldn't be doing your own taxes. If you can download pictures off your digital camera, then you still probably shouldn't be doing your own taxes. We have found over 90% of returns prepared outside our office have at least one major error and multiple minor errors. There is very little value in paying for software that costs roughly the same amount as a professional tax consultation and leaves you doing all the work. If you need help during the year are you going to "Ask the Disc", or call your personal tax consultant? Preparing the return is just a small portion of our service; preparing for your future is a major portion. We are available year round for advice or consultation. Even if you don't itemize your deductions; you may qualify for other deductions and credits. With over 3,100 changes to the tax code in the last eight years, the IRS code is approximately seven times the size of the Bible. Do yourself a favor and see a tax professional.

What's New This Year

🔥 The Residential Energy Credit is back! The credit is 30% of the purchase price of qualifying windows, doors, insulation, HVAC, fireplaces, stoves, geothermal pumps, solar panels and much more. You can check www.energystar.gov to see if your items qualify. The credit is worth up to \$1,500 and can be used for new or existing homes that are primary or secondary residences. Rental real estate does not qualify for the credit.

🔥 The \$8,000 First Time Homebuyer Credit has been extended for binding contracts entered before April 30th 2010 with a closing date before June 30th 2010. You are considered a First Time Homebuyer if you or your spouse has not owned a principal residence in the last three years. This is a fully refundable credit, so if you normally would get a \$500 refund you would now get an \$8,500 refund. As long as the home remains your principal residence for 36 months you do not have to repay the credit. Members of the armed forces overseas get an additional year to buy a home and claim the credit. The credit is subject to certain income limitations.

The Earned Income Credit (EIC) income requirements have changed and also considers a third dependent. With one child the cutoff is \$35,463 (\$40,463 for married). With no child the cutoff is \$13,440 (\$18,440 for married).

Sales Tax Deduction is available on a new car purchased in 2009. You can take this deduction even if you don't itemize.

🔥 The Vikings/Packers rivalry heats up as Minnesota ends its reciprocity agreement with Wisconsin beginning January 1st 2010. If you work in Minnesota and live in Wisconsin (or vice versa) you will have to file a return for both states. **CHANGE YOUR STATE WITHHOLDING IMMEDIATELY TO THE STATE IN WHICH YOU ARE WORKING.**

🔥 There is a new \$6,500 Existing Homebuyer Tax Credit. To qualify you must have been in your existing home for at least five years. You must purchase your new home after November 6th 2009 and before April 20th 2010 with a closing date before June 30th 2010. Like the \$8,000 First Time Homebuyer Tax Credit, the \$6,500 is a fully refundable credit and does not have to be repaid as long as new property remains your principal residence for 36 months

The mileage rate for 2009 is 55 cents a mile for business. Medical mileage is 24 cents a mile and charitable mileage remains at 14 cents a mile.

The first \$2,400 of your unemployment benefits are tax free in 2009.

🔥 The payroll tax credit of \$800 for joint filers and \$400 for single is new. While this credit should be claimed on your 2009 return, it probably won't increase your refund though because less money was withheld out of your paycheck throughout the year. A \$250 check was sent to social security recipients, so they won't see an increase of their refund either.

Alternative Minimum Tax AMT exemption amounts have increased.

IRA contribution limits have remained at \$5,000 each and \$6,000 each if you are age 50 or older. The income limitations are now \$89,000 for married taxpayers and \$55,000 for single taxpayers. Roth income limits have increased to \$166,000 for married taxpayers and \$105,000 for single. Contributions above those amounts gets phased out or denied.

The maximum allowable 401K contribution in 2009 increased to \$16,500 (\$22,000 for employees over age 50).

Oldies but Goodies

The Minnesota Credit for Military Service in a Combat Zone can still be filed for years 2001 through 2009. The credit is equal to \$59 for each month of service before 2009 and is \$120 per month for each month in 2009. Bring in your DD-214's or Leave of Earnings statements. PAC gives a discounted rate for our fine servicemen and women.

Qualified Mortgage Insurance premiums on mortgages taken out after 2006 can be deducted.

Deduction for Sales Tax paid on major purchases (vehicles, boats, planes, etc.) are allowable.

Deduction for Real Estate taxes paid on a second home or property are allowable.

A deduction for real estate taxes paid on your principal residence can be taken even if you don't itemize your deductions.

Adoption Credits, Education Credits, Retirement Savings Credits, Child Tax Credits, Student Loan Interest and many more, are still in affect.

Minnesota Property Tax Refund and Renters Credit are still in effect. We can still file your 2008 return if you haven't already done so.

Tips, Tricks, Scams and Shams

Office in the home is blood in the water for auditors. Office in home is one of the most overrated deductions out there. Every year I see some clown on TV giving tax advice, saying "Don't overlook your home office deduction." Yes, in many instances like daycares, the home office is a good tax deduction. If you are a W-2 employee, the office in home is usually of little benefit because the deduction has to exceed 2% of your adjusted gross income. After you prorate out your personal portion, you are looking at about 5-10% deduction of your utilities, insurance, real estate taxes and mortgage interest. Most people already deduct their real estate taxes and mortgage interest, leaving them just a small deduction for their utilities and insurance. Of the few audits we see they usually have one thing in common, office in the home. We recommend that most people avoid this deduction.

Offer in compromise, your chance to settle tax liabilities for pennies on the dollar. Beware of companies that tout tax settlements for pennies on the dollar. These companies typically offer big promises but provide little results. While the IRS does offer an Offer in Compromise, less than 25% of people who apply actually get their liabilities reduced. You must list all your assets and liabilities and must be almost destitute to qualify.

My Uncle Eddie has not filed a tax return in thirty years, how does he do that? If Eddie is selling car parts in a van down by the river, then the IRS probably isn't aware of his earnings. If Eddie is a W-2 employee and has been claiming ten exemptions, then the IRS is well aware of his shenanigans. While the statute of limitations on most returns is three years from the filing date, there is NO statute of limitations for not filing. If the IRS has to compute the return for you, they aren't going to do you any favors. Tell Eddie to come and see us and we'll get him on the straight and narrow.

Injured spouse provides lingering pain. If you are an injured spouse, the best offense is a good defense. Set up your affairs so that you have a small refund or balance due, then if the government reclaims your refund it isn't a huge hardship. If your spouse owes back taxes or child support the debt isn't going to disappear. The sooner the debt gets paid off, the less interest and penalties will accrue.

PAC Policies

Use our Pink Prep Sheet as a guide to the items you need to gather for your appointment. If you are mailing or faxing your information in, please fill out the prep sheet along with day and evening phone numbers so we can contact you to review the results of your return. You can print off a prep sheet from our website at www.pacfinance.com, or call us and we can mail, email or fax one to you.

Electronic filing: At PAC we are able to successfully file more than 99% of the returns we prepare electronically. Using direct deposit for your refunds means most clients should receive their refunds within 2–10 days. We do require payment for your tax preparation before your return will be transmitted.

Our fees continue to be extremely competitive, averaging approximately \$90 as compared to our competition's average of \$175 (and others even higher). Preparation of your property tax and rent credit returns are included with your preparation fee. Please remember to return the state copy of your property tax statement payable in 2010 to us when you receive it in mid March.

Planning

Is it too early for me to plan? Is it too late? Where should I start? Will it do any good? The answers are it is never too early or too late. We can help you with where to start and, yes, it will help you in your retirement. Nobody plans to fail; rather they fail to plan. One reason is that they do not know where to start or who they can trust. We have developed a planning process that is consistently applied to our clients' differing situations. It is the same planning process we have used for ourselves for over twenty years. You know us and we hope you trust us, so let us help you determine where to start. It is not difficult. We are independent in our advice, we sell nothing but our advice on an hourly basis. There is no conflict of interest and you pay no commission. Our average fee for planning is \$90 for a session that lasts roughly an hour and a half (after all, the mind can only absorb what the butt can endure). Please call after May 1st to set up an appointment.

Finding PAC

From the west (Minneapolis)...Take I-94 east to exit 247 (Century Ave, State Highway 120 – same street as Geneva). Turn left and go north 1.5 miles. Take a right on 14th St and then a right into the Titan Office Park parking lot.

From the east (Wisconsin)...Take I-94 west to exit 247 (Century Ave, State Highway 120 – same street as Geneva). Turn right and go north 1.5 miles. Take a right on 14th St and then a right into the Titan Office Park parking lot.

From the north (Coon Rapids, Duluth)...Take I-694 east towards I-94 take exit 57 (10th St N), turn right and head west 1.2 miles until you reach Century Ave, same street as Geneva or Highway 120, turn right and go north 4 blocks. Take a right on 14th St and then a right into the Titan Office Park parking lot.

From the south (Bloomington, Albert Lea)...Take I-494 east and go north past I-94 take exit 57 (10th St N), turn left and head west 1.2 miles until you reach Century Ave, same street as Geneva or Highway 120, turn right and go north 4 blocks. Take a right on 14th St and then a right into the Titan Office Park parking lot.

GENERAL INFORMATION AND INCOME

<p>✓ APPOINTMENTS CALL 651-738-0457</p> <p>Appointment Date:</p> <p>Appointment Time (AM/PM):</p> <p>Preferred Tax Preparer:</p> <p style="text-align: center;"> <input type="checkbox"/> ROBERT <input type="checkbox"/> GEORGE <input type="checkbox"/> JENNIFER <input type="checkbox"/> MARK <input type="checkbox"/> DAVE <input type="checkbox"/> KATE </p>	<p>✓ INCOME (List only if you DO NOT have statements)</p> <p>Salaries and Wages (Bring W-2's)</p> <p>Interest (Bring 1099-INT's)</p> <p>Dividends (Bring 1099-DIV's)</p> <p>Capital Gains/Losses (Bring 1099-B's) <i>If your gain/loss is not furnished on your 1099, you must provide the property cost basis (what you paid for it) and when the property was acquired and/or purchased.</i></p> <p>Unemployment (Bring 1099-G)</p> <p>Social Security (Bring 1099-SSA)</p> <p>Railroad Retirement (Bring 1099-RRB)</p> <p>Pensions / IRA's / Ins Benefits (Bring 1099-R's)</p> <p>Gambling Winnings (Bring W-2G's)</p> <p>Alimony Received</p> <p>Business Income (Bring itemized list)</p> <p>Rental Income (Bring itemized list)</p> <p>Cash and Coin Found on Sidewalk</p> <p>Other (Jury Duty, Prizes, Illegal Income, etc.)</p>
<p>✓ METHOD OF PREPARATION</p> <p style="text-align: center;"> <input type="checkbox"/> APPOINTMENT <input type="checkbox"/> FAX <input type="checkbox"/> MAIL <input type="checkbox"/> EMAIL <input type="checkbox"/> DROP-OFF </p> <p>Please pick a method which best suits your needs. Please return this PINK PREP SHEET along with all W-2's, 1099's, K-1's, Brokerage Accounts, and any other reported income items (copies are acceptable).</p>	<p>✓ REFUNDS AND PAYMENTS</p> <p>Previous State Refund (New clients only)</p> <p>Previous State Balance Due (New clients only)</p> <p>Federal Estimated Tax Payment</p> <p>State Estimated Tax Payments</p>
<p>✓ CONTACT INFORMATION</p> <p>Primary Contact Name</p> <p>Home Phone</p> <p>Cell Phone</p> <p>Work Phone (If OK to call)</p>	<p>✓ DISCUSSION ITEMS</p> <p>W-4 and Withholding <input type="checkbox"/></p> <p>IRA Contributions <input type="checkbox"/></p> <p>IRA and Pension Distributions <input type="checkbox"/></p> <p>ROTH Contributions <input type="checkbox"/></p> <p>Mutual Fund Selection <input type="checkbox"/></p> <p>Estimated Tax Payments <input type="checkbox"/></p> <p>IRA Contributions <input type="checkbox"/></p> <p>Life Insurance (Buy Term) <input type="checkbox"/></p> <p>Sale of Stock or Property <input type="checkbox"/></p> <p>Annuities (Why most should avoid) <input type="checkbox"/></p> <p>Starting Your own Business <input type="checkbox"/></p>
<p>✓ FILING STATUS (List changes from last year)</p> <p style="text-align: center;"> <input type="checkbox"/> SINGLE <input type="checkbox"/> MARRIED <input type="checkbox"/> MARRIED FILING SEPARATE <input type="checkbox"/> HEAD OF HOUSEHOLD <input type="checkbox"/> QUALIFYING WIDOWER WITH DEPENDENT CHILD </p>	<p>✓ CONSULTATIONS</p> <p>While we will do our best to answer your many questions during your appointment, our primary goal is to get your tax return prepared. We are available year round for individual tax consultations. We can show you the tax impact of direct investment, mutual funds, 401K, pension or annuities. Consider both the contribution and distribution. We sell no product, so our advice is impartial. This service is especially important to individuals who are just entering retirement. With a little tax planning a soon to be retiree can save thousands in taxes. Don't be pennywise and pound foolish, set up a separate consultation if you will have significant tax changes in the near future.</p>
<p>✓ DEPENDENTS (List changes from last year)</p> <p>Bring dependents Full Name, Date of Birth, and Social Security Number</p> <p>Full Name</p> <p>Date of Birth</p> <p>Social Security Number</p> <p>WE PREPARE DEPENDENTS RETURNS AT SPECIAL RATES! Even though your dependent child probably knows more than we do. We can give you the best overall advice if you have your returns filed as a family. Don't file your dependents return based on incomplete or erroneous information. With the many education, child credits, and other factors, we can file with the best interests of all.</p>	
<p>✓ PROPERTY TAX REFUND</p> <p>Property Tax Statement (Bring, Mail or Fax State Copy)</p> <p>FREE PROPERTY TAX RETURN PREPARATION!!! Unlike other firms, we do not charge an additional fee to prepare you Property Tax Refund. Your new property tax statement (State Copy) will not be available from your county until the middle of March. Destroy any Property Tax Statements that read "Proposed", unless you plan on contesting your property taxes. We do not need any forms that read "Proposed"!</p>	

ITEMIZED DEDUCTIONS, EXPENSES, CREDITS, AND SPECIALTY ITEMS

✓ MEDICAL (Must exceed 7.5% of AGI)		✓ SCHOOL AND EDUCATION	
Bring itemized list of Medical Expenses		KG-12 School Tuition	
✓ TAXES		KG-12 Enrichment (<i>Dance, Band, etc.</i>)	
Real Estate Taxes Main Home		KG-12 Supplies	
Real Estate Taxes Second Home		KG-12 Computer Expense	
Property Tax Refund from Last Year		College and Secondary Education Tuition	
Auto License (<i>Less \$35 base fee per auto</i>)		<i>Bring 1098-T's. Include books and supplies only if the fees and expenses must be paid to the institution as a condition of enrollment or attendance. First two years qualify for Hope Credit, then the Lifetime Learning Credit applies.</i>	
Sales Tax (<i>List new vehicle tax seperately</i>)			
✓ INTEREST EXPENSE		Educator and Teacher Expenses	
Home Mortgage (<i>Bring 1098's</i>)		✓ RETIREMENT CONTRIBUTIONS	
Second Mortgage		Traditional IRA Contributions	
Line of Credit		Roth IRA Contributions	
Points (<i>Paid on purchase or refinance</i>)		SEP or Keogh	
Investment Interest Expense		Health or Medical Savings Account	
Student Loan Interest		401K contributions are listed on W-2's	
✓ CONTRIBUTIONS		Other	
Receipted Contributions (<i>Church, Temple, etc.</i>)		✓ DAY CARE	
Petty Cash and Miscellaneous		Daycare Expense	
Goods (<i>If more than \$500, bring list</i>)		<i>Bring providers name, address, and SS# or Federal ID number. This information is required even if you participated in a pre-tax spending account.</i>	
Charitable Mileage			
✓ MISCELLANEOUS (Must exceed 2% of AGI)		✓ SPECIALTY ITEMS	
Tax Preparation and Consulting		Residential Energy Credit (Amount Spent)	
Union and Professional Dues		Casualty Losses (<i>Must exceed 10% AGI</i>)	
Safety and Protective Equipment		Hybrid or Electric Vehicle (<i>certain golf carts</i>)	
Uniforms		Alimony Paid (<i>Bring recipients SS#</i>)	
Tools and Supplies		Gambling Losses (<i>Only up to winnings</i>)	
Cell Phone and ISP		Adoption Expenses	
License and Recertification		Moving Expenses	
Training and CEU's		Military Combat Zone Credit *INCREASED IN 2009*	
Meals and Entertainment		<i>You can receive a \$59 credit for each month of service in a Combat Zone served between 9/11/2001 and 12/31/2008 and \$120 a month in 2009. Bring copies of your DD-214's</i>	
Mileage or Auto Expense		✓ AUDIT OR INQUIRY HELP	
Liability and Malpractice Insurance		<p>While your chances of a full blown audit are very rare, adjustment or correction letters are very common. If your return is audited or adjusted, please call us. If you receive a written notice of inquiry, adjustment, or correction please fax or send us a copy. Even if you agree with the changes, sending us a copy allows us to update your file. If your federal return is adjusted your state return will probably have to be amended as well. PAC does NOT pay either the penalty or interest on corrected or amended returns.</p> <p align="center">NEVER PAY ANY BALANCE DUE FROM A LETTER WITHOUT CONTACTING US FIRST!</p>	
Subscriptions and Professional Journals			
Job Search			
Travel and Passport (<i>If used for work</i>)			
Safe Deposit Box			
Travel			
Business Cards			
IRA Custodial Fees			
Business Use of Home			
Total Square Footage of Home			
Business use Square Footage			
Utilities (<i>Water, Electricity, Trash, etc</i>)			
Insurance			
Repairs			
Major Improvements			
Phone Expense			