

Alabama Announces Tax Amnesty Program

“OPERATION CLEAN SLATE”

already under investigation or audit, or has already been contacted by the Department of Revenue concerning their delinquent returns or unpaid taxes.

An additional incentive for taxpayers to correct their errors under Operation Clean Slate is cited in the Governor’s press release. The Department of Revenue will soon be bringing online new computer capabilities that will better enable the Department to detect noncompliance and nonfiling.

A deadline of May 15, 2009 applies to this amnesty program, so taxpayers must act promptly to take advantage of it and make sure their submission is postmarked by May 15. Original and amended returns under this program are to be sent to a special address:

Department of Revenue
“Operation Clean Slate”
P.O. Box 327010
Montgomery, AL 36132-7010

Tax returns must be labeled “Operation Clean Slate” at the top of the return and on every form filed with the return.

For further information, contact David Wooldrige at (205) 930-5219 or Greg Rhodes at (205) 930-5445.



DAVID M. WOOLDRIDGE’S practice is focused toward substantial tax controversies with federal and state authorities involving administrative proceedings, litigation, business, corporate and shareholder controversies. He teaches regularly on tax practice and procedures at the University of Alabama School of Accounting and School of Law and is certified in dispute mediation by the American Arbitration Association. David is very active in fundraising efforts for the United Way and United Cerebral Palsy. David earned his B.S. from The University of Alabama, a J.D. from The University of Alabama School of Law and an LL.M. in Taxation from New York University.

Tax Changes for 2009

Jay G. Maples

There’s a new sheriff in town (so to speak), and the winds of tax law change are blowing. Let’s take this opportunity to examine some of the tax law changes we know about and some that we can only speculate about. Here is what we know:

Social Security and Medicare

For 2009, the Social Security maximum has been raised to \$106,800 – an increase of \$4,800 over last year’s maximum. The rate of increase continues to outpace inflation, or the cost of living increase in wages you might expect from your employer. The maximum Social Security benefit was increased to \$2,399 per month in 2009, and the Cost of Living Adjustment (COLA) was 5.8 percent.

Standard Deductions

The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions, and state and local taxes.



Exemption Values

The amount you can deduct for each exemption you can claim on your federal income taxes has increased again in 2009. The 2008 value of \$3,500 has increased to \$3,650 in 2009. That's a total increase of \$250 over the last two years.

Contributions to Retirement Accounts

Contribution limits for 401(k), as well as 403(b), plans increased in 2009 from \$15,500 to \$16,500. Catch-up contributions also increased by \$500 to \$5,500 in 2009.

The income limits for those willing to contribute to traditional IRAs as well as Roth IRA plans increased again in 2009. The income phase-out threshold for Roth IRAs now starts at \$166,000 for those filing joint returns, and \$105,000 for taxpayers with a filing status of single or head of household.

Finally, if you are covered by a retirement plan at work and you are considering contributing to a tax-deductible traditional IRA, then the income phase-out limits start at \$89,000 for joint filers and increases to \$55,000 for those with a filing status of single or head of household.

Gift and Estate Taxes

The annual gift exclusion rises to \$13,000, up from \$12,000 in 2008. The most important thing for estate and gift tax planning, however, is that the 2009 exemption is \$3.5 million, up from \$2 million in 2008.

IRA Distributions

Individuals may skip required distributions from individual retirement accounts and related accounts in 2009. The change is intended to give time for the beaten-down nest eggs to rebound from the brutal bear market. Unless Congress decides to extend the moratorium, those over age 70½ – along with those who have inherited IRAs or 401(k)s – will be forced to resume taking withdrawals in 2010.

IRA Charitable Contributions

In October 2008, lawmakers resurrected a tax break available to those who make donations directly from their IRAs to charity in 2008 and 2009. Under the law, individuals age 70½ or older can donate as much as

\$100,000 from an IRA to a public charity. No taxes are due on the withdrawal, and the donation counts toward a person's required annual withdrawal. With mandatory distributions suspended in 2009, this strategy is not as attractive as it was in prior years.

What May Be Forthcoming in 2009

Looking into our crystal ball, the picture is murky at best. We can safely say that unless you make more than \$200,000 per year, you probably don't need to worry about significant tax hikes in 2009 and 2010.

If you are part of the lucky (or unlucky in this instance) taxpayers who make over \$200,000 per year, you may likely experience a tax increase, but that really depends on whether Congress has the stomach to increase taxes in an economic downturn. We shall just have to wait and see.

On the estate tax front, in 2010 the estate tax totally goes away, and in 2011 the estate tax returns to pre-EGTRRA levels, which means that, among other things, the estate tax exemption amount will return to \$1 million. Obama's announced plan is to maintain the current \$3.5 million exemption. We anticipate that this change will happen prior to the end of 2009.



JAY G. MAPLES, a shareholder at Sirote, practices in the areas of Corporate, Tax Law & Planning, Director and Officer Liability, Employee Benefits and Pensions and Profit Sharing. In addition to being a Certified Public Accountant, Jay is a member of both the Alabama and New York State Bar. He earned a B.S. in Accounting from Auburn University, a M.Acc from The University of Alabama in Huntsville, a J.D. degree from The University of Alabama School of Law and an LL.M. in Taxation from New York University School of Law.