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Important Reminder of Upcoming Deadline

October 15th should be noted on your calendar as the final due date for all 2008 Form 1040s and for Form 5500 (employee benefit plans). If you have not yet sent in your organizer and related tax information, please do so as soon as possible.

Federal Tax Credits for Energy Efficient Home Improvements

The Recovery Act credit for non-business energy property is increased for homeowners who make qualified energy-efficient improvements to existing homes. The law increases the rate to 30% of the cost of all qualifying improvements and raises the maximum credit limit to a total of \$1,500 for improvements placed in service in 2009 and 2010.

Tax credits are available at 30% of the cost, up to \$1,500, in 2009 & 2010 (for existing homes only) for:

- Windows and Doors
- Insulation
- Roofs (Metal and Asphalt)
- HVAC
- Water Heaters (non-solar)
- Biomass Stoves

For potentially much larger tax savings, tax credits are available at 30% of the cost, with no upper limit through 2016 (for existing homes & new construction) for:

- Geothermal Heat Pumps
- Solar Panels
- Solar Water Heaters
- Small Wind Energy Systems
- Fuel Cells

A good overview of the program along with technical specifications for equipment can be found at:
<http://tinyurl.com/ox5xnp>

Obtain the manufacturer's certification showing that equipment you bought qualifies for credit!

Insurance Policy – Keep, Lapse or Sell?

Are you thinking of letting your life insurance policy lapse? You may believe your life insurance policy has no value; however, before you let that policy lapse, you should consider whether selling your policy is an option for you.

Life settlement is the term used for the sale of a life insurance policy to an investor. According to the Life Insurance Settlement Association (www.thevoiceoftheindustry.com) 34 states, including Maryland and Virginia, regulate life settlement transactions on some level.

Life settlement is not an option for everyone, because you have potentially turned a tax free asset into a taxable asset which could result in additional estate taxes. Also you may not ultimately know who really owns an insurance policy on your life.

The IRS recently released guidance, Revenue Ruling 2009-13, on the income tax ramifications of selling your life insurance policy. The Ruling is effective for policies sold on or after August 26, 2009. The guidance clarifies that income from the surrender of a life insurance contract with a cash surrender value is ordinary income. On the other hand, income from the sale of a life insurance contract, to the extent the income exceeds the cash surrender income, could be capital gain.

Investors have a scoring system called a "settlement probability score" where they rate your insurance based on age, health and other insurance factors. Calculators are available on the web to determine whether your policy has a good score. Most calculators require that the insured be at least 65 years old.

If you ultimately decide to sell your policy, it is recommended that you work with a reputable settlement broker. If you have questions, feel free to contact us.

Roth IRA Conversion in 2010 – Is It Right For You?

Beginning on January 1, 2010 taxpayers can convert their regular IRAs to Roth IRAs without the AGI limitations. With tax rates going up in 2011, this appears to be a one-shot opportunity to remove assets from future taxation (at least under current law and pending legislation). There is an opportunity to defer reporting and paying the taxes on these conversions until 2011 and 2012 (half in each year); however, with tax rates going up in 2011 and who knows what in 2012, that deferral will likely have a price.

Another advantage of a Roth is that there are no required distributions after age 70 ½ for the account owner (not so for an inherited Roth). Clients should be encouraged to consider these options and to engage in planning to determine if a conversion makes sense for them and if the deferral is appropriate.

Links to Interesting Tax and Financial Stories

Low inflation could reduce your 401K contribution: <http://tinyurl.com/lrvta>

Tax credit for first time homebuyers may be extended: <http://tinyurl.com/mcazc5>

Estate tax law changes not likely this year: <http://tinyurl.com/pbmca>

Beware of e-mail scams using the name of the IRS: <http://tinyurl.com/l5z7ry>

KWC Accountants Volunteer Their Time

On Friday September 18, 2009, ten accountants (principal and staff) volunteered their time to participate in the Virginia Society of Certified Public Accountants' (VSCPA) first ever "Day of Service." Our volunteers chose as their project the Carpenter Shelter, an organization dedicated to ending homelessness in the Washington DC metropolitan area. KWC accountants donated their time by performing a variety of tasks, including weeding and painting as well as cooking and serving lunch to the shelter attendants. Time was spent cleaning the kitchen and performing whatever outdoor tasks were given to them.

Overall the day was a great success as KWC was able to give back to the community on behalf of accountants nationwide.



KWC 2009 Volunteers

Crystal Thompson, Meg Williams,
Irene Walsh, Melissa Hinkley,
Terri Granger, Erin Hill,
Kyle Sattgast, Travis Floyd,
Amy Walsh and Naji Lakkis

For more information on the Carpenter's Shelter, go to <http://www.carpentershelter.org/>

Client Services Provided by KWC - Estate Planning

Estate planning is an important part of everyone's overall planning necessities. Contrary to common belief, those of us with relatively modest assets should have many of the documents also present in more complicated estate planning.

Think of estate planning as asset management and protecting yourself and your family if the unexpected happens.

Regardless of the value of your assets, wills, guardian designations for minor children, advance medical directives and a durable power of attorney are all invaluable documents to have in the event of an untimely illness, accident or other disabling event.

If you have been fortunate enough to accumulate significant assets, estate planning and management are even more important. All indications are that the estate tax will remain with us for the indefinite future. Changes are inevitable but repeal is most unlikely. Perhaps even tighter rules may be in our future as the government struggles to generate revenue required to recover from the recession and reduce the public debt.

For more than two decades Kositzka, Wicks and Company has provided estate planning, management, administration and review services. If you have an estate plan, we can help you review it to ensure compliance with both the law and your current thinking. If you do not have a plan or basic documents, we can help you create a plan appropriate for your situation.

In addition to proactive planning we provide compliance services with the preparation of estate tax returns, trust planning and returns and probate reporting to the various jurisdictions.

We can work with your attorney; or, we can provide you with a referral to one of the many excellent estate attorneys we have worked with over the years. We are available to assist you in updating or creating your plan.

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