



600 Blair Park Rd
Williston, VT 05495
802-878-1963
Fax: 802-878-7197

www.dh-cpa.com

As Yogi Berra said, “this is like déjà vu all over again”. It has now been 18 years since I started the practice and that was during what was the deepest recession of the last 30 years. At least it was the biggest up until this one. The general consensus seems to be that it will only get worse before it gets better, with the best case being the U.S. will come out of it sometime in 2010. As for the good news from the economic pundits, the recession will hit much of the rest of the country harder than it will Vermont. Feel better now?

By now I am sure you are wondering where I am going with all this “gloom and doom”. Simply put I see opportunities even in a down economy. In 1990 we were fortunate to grow rapidly as a result of offering high quality and timely services, while showing a sincere concern for the well being of you - our clients. We see that opportunity again now as many businesses cut costs and services.

As an individual there will be opportunities in both the stock market and real estate market. For businesses, make sure you get your name out there with some effective marketing. As your competitors cut their marketing budgets, make sure you keep your name out there. Of course be sure to monitor your expenses, but sales should always be your focus.

So the big question everyone has is what’s ahead for 2009? Needless to say, we are expecting many new tax laws that will hopefully stimulate the economy. Our job will be to interpret the new tax laws for you to help determine how you can best take advantage of them. So what can you do now? Start by getting your personal finances in order.

1. If you haven’t already done so, now is a good time to put together a financial plan. If you have done one in the past that has not been updated recently, do it now. Many of you have 401(k)’s that are now 301(k)’s and you need to reanalyze your retirement expectations.
2. Consider refinancing your home and consolidating your debt into a lower interest rate while mortgage rates are at a historic low.
3. Take advantage of current tax laws – for example:
 - a. Defer receipt of your 2009 required minimum distribution from your IRA. Congress passed legislation to allow you to rebuild your account after the 2008 crash.
 - b. Consider converting your Traditional IRA to a Roth IRA. With the depressed value of these accounts it will reduce the amount of income you will need to recognize with the conversion. The Roth can then build tax free with no required distributions.
 - c. It is a great time for gifting stocks. Many are at low values which allows for a greater number of shares to be transferred. (See there is some good news to the market crash.)
 - d. The estate tax threshold moves to \$3.5 million for 2009 so if you have not updated your wills for a while you should. This is particularly true for married taxpayers with trust provisions.

My final advice for 2009, don’t spend your time listening to the media with their constant bad news. Have a positive attitude, set some goals, and work toward them everyday of 2009. If you need help, remember we are only a phone call away.



John W. Davis, CPA, CFP®, CVA

ASK JOHN

What are the rules for determining what may be deducted as a charitable contribution?

Rules for Clothing and Household Items

For each donated item under \$500 in value such as clothing and household goods they must be in good used condition or better. A clothing or household item for which a taxpayer claims a deduction of over \$500 does not have to be in good used condition or better *if the taxpayer includes a qualified appraisal of the item with the return.* Household items include furniture, furnishings, electronics, appliances, and linens.

Guidelines for Monetary Donations

To deduct any charitable donation of money, regardless of amount, a taxpayer must have a back record or a written communication from the charity showing the name of the charity and the date and amount of the contribution.

Donations of money include those made in cash or by check, electronic funds transfer, credit card, and payroll deduction. For payroll deductions, the taxpayer should retain a pay stub, W-2 or other document furnished by the employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.



DAVIS & HODGDON IN THE COMMUNITY

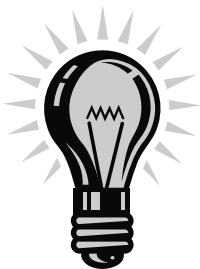
At Davis & Hodgdon Associates CPAs we believe that by contributing our time and resources we are bettering the community in which we all live in. Not only does the Firm contribute resources to local non-profits, several staff members are active volunteers and board members of local non-profits.

Dan Huskes, CPA sits on the board of Rebuilding Together - Greater Burlington. He assists the organization with their mission to bring volunteers and communities together to improve the homes and lives of homeowners in need. www.rebuildingtogetherburlington.org

Matt Cleare is the Assistant Treasurer of the Turning Point Center (TPC) of Chittenden County. The Turning Point Center is a safe, substance-free environment, providing recovery support, social and educational opportunities, and fellowship to anyone actively interested in recovery. www.turningpointcentervt.org

David Brace serves on the board of the Child Care Resource Center (CCR). CCR assists Vermont parents in searching and paying for quality child care and also offers consultation and education for child care providers, parents, employers and the community. www.childcareresource.org

TAX STRATEGY FOR REAL ESTATE OWNERS



Did you know that commercial real estate is depreciated over a lengthy 39 years? There is some good news though in that portions of the building can be depreciated over a shorter life - even as short as 5 years. To take advantage of the faster depreciation, you will need to have what is referred to as a cost segregation study performed. The cost segregation study is performed by an engineer who uses IRS guidelines to “segregate” the various segments of the building that qualify for shorter depreciable lives.

So what does this mean for you, the property owner? The shorter lives mean much faster depreciation deductions that save you tax dollars currently—rather than waiting 39 years.

Anyone who has purchased, constructed or renovated a property for an amount exceeding \$500,000 would be an ideal candidate for a cost segregation study. Everything from retail stores to office buildings on up to auto dealerships will benefit. Typically, from 20% - 50% of the building costs are reallocated to shorter-life personal property assets classes resulting in tens of thousands of dollars in tax and cash flow savings.

Interested in learning more! Contact our office at 878-1963 or e-mail Bret Hodgdon, CPA, CFP®, CFE at breth@dh-cpa.com if you think you might benefit.

DID YOU KNOW

At Davis & Hodgdon Associates CPAs, we offer many services beyond tax preparation. Some of the additional services we offer to our clients include:

Accounting, Auditing, and Planning

- Internal Control Procedures
- Audits, Reviews, and Compilations of Financial Statements
- Audits for Non Profits and Pension Plans

Tax Services

- Year-end Projections
- Entity Selection
- Tax Return Preparation (Federal and all States)
- IRS and State Problem Solving
- Fringe Benefits

Management Consulting Services

- Buy Sell Agreements
- Compensation Structuring
- Business Strategic Planning
- Office Administration Consulting
- Business Assessment Services

Financial Fraud Investigations

- Corporate Investigations
- Reconstruction of Accounting Records
- Fraudulent Financial Transaction Analysis
- Pretrial Investigations

Business Valuations

- Purchase and Sales Analysis
- Cash Flow Analysis
- Mergers and Acquisitions

QuickBooks®

- Accounting Assistance
- Installation and Support
- Reviews
- Training

Financial and Estate Planning

- IRA/ Retirement Distribution Planning
- Financial Plans
- Estate Plans

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Our Funny Side



“What good is online banking if you can’t download free money from the Internet?”

OFFICE BUZZ



Happy New Year!

This is the perfect time to put a face with the Accountants that are working for you.



Dawn Grenn, CPA
Tax Manager
dawn@dh-cpa.com
Ext. 18



David Brace
Senior Accountant
david@dh-cpa.com
Ext. 30



Dan Huskes, CPA
Associate Accountant II
daniel@dh-cpa.com
Ext. 21



Matt Cleare
Associate Accountant
matthew@dh-cpa.com
Ext. 33



Sam Boyer
Associate Accountant
samuel@dh-cpa.com
Ext. 28



Jennifer Cioffi
Associate Accountant
jennifer@dh-cpa.com
Ext. 14

Davis & Hodgdon Associates CPAs
600 Blair Park Rd, Suite 280
Williston, VT 05495
802-878-1963
www.dh-cpa.com

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Internal Revenue Service Circular 230

Disclosure. Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the advice set forth herein with respect to U.S. federal tax issues was not intended or written by Davis & Hodgdon Associates CPAs to be used, and cannot be used, by you or any taxpayer, for the purpose of (i) avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

OOPS!

Find the misspelled word!

We have hidden one misspelled word in our newsletter

Be the first to find it and call our office at 802-878-1963

YOU WILL WIN \$10!*

* if you have won recently, please allow others the opportunity to win – thank you.

**WINNER OF THE FALL MISPELLED
WORD CONTEST**



Beverly Blakely

Uncommon Grounds Coffee & Tea



As a member of CPAConnect, we are part of a leading national network of over 250 local CPA firms. CPAConnect is an affiliate of CPAmerica International, which is one of the largest CPA networks in the United States.

This affiliation provides a knowledge base that allows us to offer our staff and clients access to additional expertise and resources from across the country and around the world.