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**DECEMBER 2009**

## NEW CPAS

We welcome two new CPAs to the firm. First, Jana Johnston Cox brings over 12 years of experience to the firm after having worked in public accounting in Monroe, New Orleans, and Baton Rouge. Jana and her husband, James, live in Shreveport and have 4 children.

Our second new CPA is Matthew Van Devender who has been with the firm since

December 2005. In November, he received word that he has now completed the requirements for his certificate. We are very happy with Matt in his success and feel fortunate to have him with the firm.

We look forward to the opportunity of working with these new CPAs and have high expectations for their careers in public accounting.

## NEW LAW EXPANDS HOMEBUYER TAX CREDIT

In November 2009, the President signed into law the Worker, Homeownership, and Business Assistance Act of 2009. Among its many tax provisions, the Act provides an extension and expansion of the first-time homebuyer tax credit. As you will probably recall, under prior law a refundable federal tax credit of up to \$8,000 was allowed for qualifying first-time homebuyers who purchased a home between April 8, 2008 and December 1, 2009. To qualify for the credit, a homebuyer must have had no ownership interest in a principal residence during the three-year period before the purchase of the home. In addition, the allowable credit was phased out for most single taxpayers with adjusted gross income between \$75,000 and \$95,000 (\$150,000 and \$170,000 for married taxpayers filing jointly).

The new Act generally extends the first-time homebuyer credit for contracts to purchase entered into before May 1, 2010 and closed before July 1, 2010. The new law also makes the credit available

to higher-income taxpayers, as well as to some individuals (long-time residents) who are not first-time homebuyers. A long-time resident is a homeowner who has maintained the same principal residence for five consecutive years during the eight-year period ending on the date of the purchase for a subsequent residence.

The maximum credit for qualifying long-time residents is generally the lesser of \$6,500 or 10 percent of the purchase price of the principal residence. The credit phases out for most individual taxpayers whose adjusted gross income is between \$125,000 and \$145,000 (\$225,000 and \$245,000 for married taxpayers filing joint returns) for the year of the purchase. In addition, for purchases after November 6, 2009, the credit is unavailable if the purchase price of the residence exceeds \$800,000.

We will be glad to discuss how this credit might affect you.

## FDIC INSURANCE LIMITS EXTENDED THROUGH 2013

Earlier this year, we discussed the higher FDIC insurance coverage for deposits maintained at federally insured banks and savings and loans institutions. The temporary coverage of \$250,000 on most accounts was scheduled to revert back to the old limit of \$100,000 on January 1, 2010. In late May, the President signed a bill that postponed the expiration of the \$250,000 FDIC insurance limit until December 31, 2013. This new law does not change or extend the coverage

applicable to IRAs and certain other retirement accounts, which will continue to be covered beyond December 31, 2013 for up to \$250,000 as was the case before any of the limits changed last year.

For more information on FDIC insurance, you can visit the FDIC website at [www.fdic.gov](http://www.fdic.gov) or contact your local bank or banker for more specific information.

## EXPANSION OF SECTION 529 PLAN EXPENSES

As many of you know, distributions from Section 529 college savings plans are completely free of federal and Louisiana income tax as long as the distributions are used for qualified college expenses. For this purpose, qualified expenses have until now included room and board, tuition, fees, books, supplies, and equipment required by an educational institution for enrollment or attendance. The American Recovery and Reinvestment Tax Act of 2009 expanded the definition of qualified higher education expenses to include the purchase of any computer technology or equipment or internet access and related services if the equipment and services will be used by the beneficiary during any

of the years in which the beneficiary is enrolled at an eligible educational institution. This expansion of the scope of Section 529 accounts is effective for expenses paid or incurred during 2009 and 2010. With appropriate documentation, a Section 529 account may pay directly or reimburse the beneficiary for qualifying expenditures free of federal and Louisiana income tax. If you maintain or are involved with a Section 529 account, you might want to ensure that, in addition to the traditional qualifying expenses, any computer equipment and internet access are paid from the account. We will be happy to discuss the application of this new rule with you.

## SECOND BEST (LOUISIANA DURING RECESSION)

A recent study by Portfolio.com of how the states and the District of Columbia have fared during the recession ranks Louisiana as the second best of the 51. Using data from the U. S. Bureau of Economic Analysis, Federal Housing Finance Agency and the U. S. Bureau of Labor of Statistics, the survey examined six areas including job growth,

current unemployment, income growth, wage growth, home value growth, and construction job growth over the past year.

Louisiana continues to lag in many significant areas, but we have certainly been blessed with a relatively good economy over the past year.

## ODOMETER READING ON BUSINESS VEHICLE REQUIRED DECEMBER 31

To claim a business expense deduction for vehicle usage, the total miles driven during the year, as well as the number of business miles and personal miles, must be reported in the tax return

in which the deduction is claimed. On December 31, you should record the odometer reading of any vehicle used for business for which a deduction will be claimed.

## TIME TO COMPUTE PERSONAL-USE VALUE OF AN EMPLOYER-PROVIDED VEHICLE

Early January 2010 is the time to compute the 2009 personal-use value of employer-provided vehicles that must be reported on the employees' 2009 Forms W-2, and on which FICA and possibly

federal income tax must be withheld and paid. Included with this newsletter is a form that you may use to compute the personal-use value of an employer-provided vehicle.

**COMPUTATION OF PERSONAL-USE VALUE OF EMPLOYER-PROVIDED VEHICLES--2009**

Name of Employer \_\_\_\_\_ Name of Employee \_\_\_\_\_  
 Is employee a corporate officer or more than 1 percent shareholder?  Yes  No

**VEHICLE INFORMATION**

1. Description (make, model, and year) \_\_\_\_\_
2. Valuation Date (The initial valuation date is the date placed in service. Subsequent valuation dates are based on a hypothetical lease for four full calendar years. For example, if a vehicle is first placed in service January 12, 2004, the second valuation date is January 1, 2009. The third valuation date would be January 1, 2013.) \_\_\_\_\_
3. Fair market value on valuation date indicated at item 2 above \_\_\_\_\_

**EMPLOYEE CERTIFICATION**

4. Total number of miles driven during 2009 \_\_\_\_\_ Miles
5. Total commuting miles during 2009 \_\_\_\_\_ Miles
6. Total other personal (noncommuting) miles during 2009 \_\_\_\_\_ Miles
7. Total personal miles (sum of line 5 and line 6) \_\_\_\_\_ Miles
8. Is another vehicle (other than an employer vehicle) available for personal use?  Yes  No

The above information is supported by adequate evidence and is correct to my best knowledge and belief. I understand this information will be used to compute the value of the personal use of this employer-provided vehicle, which will be reported on my W-2 for 2009.

Signed \_\_\_\_\_ Date \_\_\_\_\_  
 (Employee)

**COMPUTATION OF PERSONAL-USE VALUE**

9. Personal-use percentage (divide line 7 by line 4) \_\_\_\_\_ %
10. Annual lease value (determine from table below based on fair market value at line 3 above) (prorate annual lease value based on number of days used if less than full year) \$ \_\_\_\_\_
11. Personal-use annual lease value (multiply line 9 and line 10) \$ \_\_\_\_\_
12. Gasoline provided by employer:
  - a. Actual gasoline cost \$ \_\_\_\_\_
  - b. Personal portion actual cost [multiply line 9 and line 12(a)] \$ \_\_\_\_\_
  - c. 5.5¢ times personal miles (line 7) \$ \_\_\_\_\_
  - d. Personal-use gasoline [lesser of line 12(b) or line 12(c)] \$ \_\_\_\_\_
13. Gross personal-use [sum of line 11 and line 12(d)] \$ \_\_\_\_\_
14. Reimbursements made by employee \$ \_\_\_\_\_
15. Net personal-use value to report on Form W-2 (line 13 minus line 14) \$ \_\_\_\_\_

**ALTERNATIVE METHOD OF COMPUTATION (Use this section *only if* vehicle meets requirements described below.)**

This method is available if the fair market value at line 3 is \$15,000 or less for automobiles and \$15,200 or less for trucks and vans. Also, the employee must have regularly used the vehicle in the Company's trade or business, or the employee must have driven at least 10,000 total miles during the year (10,000 miles is prorated if vehicle available less than full year). Once this alternative method is chosen for an employee and vehicle, it must be used in all subsequent years until it fails to meet the criteria above.

1. Gross Personal-Use Value (\_\_\_\_\_ Personal Miles x .55¢ = \_\_\_\_\_) \$ \_\_\_\_\_
2. Employee Reimbursement to Employer (\_\_\_\_\_)
3. Net Personal-Use Value to Report on Form W-2 (2 minus 3) \$ \_\_\_\_\_

**ANNUAL LEASE VALUE TABLE**

(1)	(2)	(1)	(2)	(1)	(2)
Automobile FairMarket Value	Annual Lease Value	Automobile FairMarket Value	Annual Lease Value	Automobile FairMarket Value	Annual Lease Value
\$ 0- 999 -----	\$ 600	\$12,000- 12,999 -----	\$ 3,600	\$24,000- 24,999 -----	\$ 6,600
1,000- 1,999 -----	850	13,000- 13,999 -----	3,850	25,000- 25,999 -----	6,850
2,000- 2,999 -----	1,100	14,000- 14,999 -----	4,100	26,000- 27,999 -----	7,250
3,000- 3,999 -----	1,350	15,000- 15,999 -----	4,350	28,000- 29,999 -----	7,750
4,000- 4,999 -----	1,600	16,000- 16,999 -----	4,600	30,000- 31,999 -----	8,250
5,000- 5,999 -----	1,850	17,000- 17,999 -----	4,850	32,000- 33,999 -----	8,750
6,000- 6,999 -----	2,100	18,000- 18,999 -----	5,100	34,000- 35,999 -----	9,250
7,000- 7,999 -----	2,350	19,000- 19,999 -----	5,350	36,000- 37,999 -----	9,750
8,000- 8,999 -----	2,600	20,000- 20,999 -----	5,600	38,000- 39,999 -----	10,250
9,000- 9,999 -----	2,850	21,000- 21,999 -----	5,850	40,000- 41,999 -----	10,750
10,000- 10,999 -----	3,100	22,000- 22,999 -----	6,100	42,000- 43,999 -----	11,250
11,000- 11,999 -----	3,350	23,000- 23,999 -----	6,350	44,000- 45,999 -----	11,750
				46,000- 47,999 -----	12,250
				48,000- 49,999 -----	12,750
				50,000- 51,999 -----	13,250
				52,000- 53,999 -----	13,750
				54,000- 55,999 -----	14,250
				56,000- 57,999 -----	14,750
				58,000- 59,999 -----	15,250

For vehicles having a fair market value in excess of \$59,999, the annual lease value is equal to: (.25 x the fair market value of the automobile) + \$500.

## **Auto Usage Form Contains Required Information**

Employers must obtain the auto use information and certification from each employee to whom an auto is furnished in time to complete the fourth quarter payroll tax returns and the 2009 Forms W-2. Completion of the auto usage form on the reverse of this page will enable an employer to compile the information required for the income tax returns, payroll tax returns, and Forms W-2. Much of the information on the auto use form must also be included in the employer's federal income tax return. Accordingly, employers should retain the completed vehicle use forms as written evidence supporting the information in the income tax return.

If you provide vehicles to employees, you must withhold federal income tax on the personal-use value of the vehicles unless you elected not to withhold income tax by giving employees timely notice. If income tax is to be withheld, you can withhold a flat 25 percent or withhold as if the personal-use value is part of regular wages. If you did not compute or estimate the personal-use value and withhold taxes during 2009, the income tax and FICA (Social Security and Medicare tax) may be withheld from 2010 wages at any time between January 1 and April 1, 2010.

Regardless of when the taxes are withheld, however, the 2009 personal-use value is considered 2009 compensation, and the withholdings must be reported on the fourth quarter 2009 Form 941 and paid or deposited accordingly. Both the compensation and the withholdings must be included on the 2009 Form W-2.

An employer may elect not to withhold income taxes for 2010 on the personal-use value of a vehicle by notifying the employees in writing by January 31, 2010, or within 30 days after the employee is provided a vehicle, if later.

We will be glad to assist you with the completion of the auto usage form or answer your questions about its preparation.