



Jodee Paape & Associates, LLC

Certified Public Accountants

Newsletter

Thanksgiving 2009

As we approach another tax season, I'd like to update everyone on some changes in our office as well as a few of the new tax laws. This year marks my 20th year in business. Some of you have been along for the whole ride, others are newcomers, but each of you is a valued client and I thank you for your trust and confidence. When I purchased the business from Leo Kosowski in 1990, I had a vision that I would be part of a team working to help clients achieve their financial goals. I envisioned my role to take many forms – certainly tax preparation, but also guidance and advice when financial decisions had to be made. As the years have gone on, that vision has been clarified for me and has brought me to the structure we've established for the future.

Many of you have asked me to provide more formal financial services. After many years of working toward that goal, we have finally arrived. Beginning January 1, we will be providing financial services in a formal way for our clients. Please see the inside page of this newsletter for more specifics.

Two years ago, my friend and colleague, Lynne Bates, became a partner in the firm. Her time and talents have been invaluable as we continue to grow and try to meet the needs of all our clients. As Lynne & I evaluated our vision of the future, we decided we needed another full time professional to round out the team. We hired Deb Nelson earlier this fall. Deb's bio is on the next page. The addition of Deb to our staff allows us to accept new business clients without compromising the services we provide to current clients. We welcome your referrals and appreciate your continued business.

In order to accommodate our growing staff, we physically restructured our space. My office is now in the back of the suite. Lynne & Deb are in front by the main reception area.

Thanksgiving is my favorite holiday. Some of my favorite memories are of Thanksgiving – surrounded by wonderful food, family and fun. But I also like Thanksgiving because we are encouraged to contemplate our blessings. I have many blessings in my life that I am thankful for. Certainly my family and friends but also my partner, my staff and you – my clients.

NEW STAFF

WELCOME DEB NELSON, CPA

We are pleased to announce that Deb Nelson has joined our firm. She is a licensed CPA who has 8 years of public accounting experience. Prior to becoming a CPA, she worked as a bookkeeper for several private companies in the Twin Cities area.

In 2002, Deb graduated Magna Cum Laude with a Bachelor of Science degree in Accounting from the College of St. Catherine in St. Paul and sat for the CPA exam in the same year. She began her public accounting career preparing tax returns for small businesses and their owners. She also performed small business accounting and payroll services, as well as year-end planning and tax projections. Within a few years, Deb's interest in real estate partnerships peaked and she enjoyed working as a construction and real estate team tax manager. Her responsibilities included managing staff and reviewing tax returns and accounting files. She participated in client meetings, year-end planning and projections, as well as special projects related to purchases, sales, cost segregation and tax credits. Deb is active in MN CREW (Minnesota Commercial Real Estate Women) and will serve a 2-year term as Board Treasurer.

Deb lives in Eagan with her husband, Cory, her step-daughter and two kitties. Deb and her husband are avid runners and have completed a marathon or half-marathon in five states. Deb's interests also include reading, gardening and nutrition.

Deb is available to answer your tax related questions and assist with your small business accounting and planning needs. Deb will be taking over some of the tax appointments this year. She is also our point person for new business clients.

NEW TECHNOLOGY

SECURE PORTALS

Last year we were able to offer you the ability to view your completed tax return on a secure portal. This year we are excited to announce expanded capabilities and options for you regarding your tax returns. The technology is similar to online banking – all your information is accessed through a secure, encrypted portal. You log in through our website and are able to view not only your completed tax return, but also scanned copies of your source documents (e.g.W-2's and 1099's) as well as other documents. Anything you get from our office in hard copy form, you can also have available on the portal. We will be asking you to help us go green by using the portal exclusively so we don't have to print a hard copy of your return. Of course you are always free to choose a paper copy at no extra cost. The portals will also allow for file exchange so you can send us a file as well – for example, a Quickbooks file or a spreadsheet of your stock transactions. Complete instructions for accessing your portal will be included with the year end mailing.

NEW SERVICES

FINANCIAL ADVISING

As I said on the first page, my vision has always been to be part of a team of trusted financial advisors for my clients. Last fall, I obtained my PFS (Personal Financial Specialist) credential. The PFS is awarded only to CPAs. In addition, the CPA must belong to the American Institute of Certified Public Accountants (AICPA) and adhere to their rigorous requirements. Accordingly, this credential represents the highest professional standards of any financial planning credential and sets the PFS holder apart from other financial planners. There are less than 4,500 PFS holders in the country.

I recently passed the first of three licensing tests which will qualify me to provide investment and insurance advice. This advice will be offered in partnership with 1st Global. 1st Global is a nationwide firm that helps specially selected, high-achieving CPA, tax and estate planning firms adopt and implement the essential capabilities to provide world-class total wealth management services to their clients. I resisted the notion of managing investments for a long time, but became convinced that in order to offer a full service financial advisory service, I needed to be able to implement a plan for those that wanted that service and to have the sophisticated planning tools that come with this partnership.

So, what, exactly, will we be offering? As much, or as little as you'd like:

- Retirement planning
- College planning
- Budgeting
- Overall Financial Planning
- Estate Planning
- Investment advice

Our fee structure for these services will vary. We can offer you planning and advising. We can handle your investment needs using transaction fees and/or commissions. Or, we can provide comprehensive planning as well as managing your portfolio for a fee that is calculated as a percentage of the funds we manage. Look for updates on our website, www.jodeepaape.com, and in our year end newsletter.

Donna Krska, Financial Services Accountant, will assist me with these Wealth Care activities, and will continue preparing individual tax returns as well.

We look forward to serving all of your financial planning needs!

NEW RULES

TAX LAW CHANGES

Waiver of Required Minimum Distribution for 2009

In prior years, individuals age 70 ½ or older were required to take RMDs from their retirement plans each year, or a 50% penalty tax applied. No RMDs are required to be withdrawn from your retirement plans during 2009. They are required in 2010.

First Time Homebuyer Credit – Extended!

The tax credit increased to \$8,000 (\$4,000 for MFS) for homes purchased 1/1/09 to 4/30/10 and closed by 6/30/10. The credit must be repaid in full if the home is sold in the first 36 months of ownership, or not used as your principal residence.

New Homebuyers Credit for Current Homeowners

A new homebuyer's tax credit of \$6,500 will apply to property owners who have lived in their home for at least five years who buy a new principal residence between 12/1/09 and 4/30/10. The sale must close by 6/30/10. Income limits for eligibility have increased to \$125,000 for single filers and \$250,000 for joint filers.

Personal Energy Property Credit for Homeowners

A tax credit for 30% of the cost of personal energy property is available, limited to a \$1,500 maximum for 2009 and 2010 combined. It is allowed to individuals for installing certain types of energy efficient property to their principal residences. Windows, roofing, insulation, heat pumps, as well as many solar, wind and geothermal energy improvements MAY qualify for the credit. Both the cost of the equipment and installation charges qualify for the credit.

Not all ENERGY STAR items qualify for the credit. Because the improvements must meet certain technical requirements for energy savings in order to qualify for the tax credit, please provide us with the manufacturer's certification statement (showing the technical information regarding energy efficiency), along with the sales receipts for the improvements.

Education Tax Incentives

The Hope education credit is renamed the American Opportunity Tax credit and has been increased to \$2,500 per eligible student per year. The credit is expanded to include course materials as eligible expenses. It is available for the first four years of a student's post-secondary education. The income limits have also been increased.

Education expenses paid with tax-free distributions from a Qualified 529 Plan can now include purchase of computer, internet access and related expenses.

NEW RULES – continued

Unemployment Compensation

Up to \$2,400 of 2009 unemployment compensation is excludable from the recipient's gross income.

Capital Gain Rate

The maximum tax rate on qualified dividends and net capital gain for taxpayers in the 10% or 15% ordinary income tax brackets is reduced to 0% for 2008-2010.

Standard Mileage Rates for 2009

Business 55 ¢ per mile

Charitable 14¢ per mile

Medical 24 ¢ per mile

Moving 24 ¢ per mile

Business Owners

There are changes in the following items for 2009:

- Maximization of 50% bonus depreciation
- Reduction in 2009 estimated tax payments
- New regulations for S corp. shareholder debt basis
- New legislation allows for deferral of debt income discharged in 2009 and 2010 to be prorated over 5 years under certain conditions

Please call us with any questions or concerns.

NEW FEES

TAX PREPARATION

As we've navigated the course to our new firm organization, we've evaluated our tax preparation fee structure. We compared our prices to other CPA firms, non licensed preparers and storefront tax preparation services. In general, our fees are significantly lower than most other CPA firms as well as many of the other tax preparation options. We believe we offer unsurpassed service and a quality product. Consequently, we will be raising our fees for the coming year. We will offer a "courtesy" discount to current clients to ease the transition to the new fee structure. Watch for specific pricing in your year end mailing.