



## *This Month:*

- ◆ Looking Ahead
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### No ITIN on Form W-2

A Treasury Inspector General for Tax Administration audit report notes that some employers are reporting an employee's individual taxpayer identification number (ITIN) on the Social Security Number (SSN) line of Form W-2, which is not allowed under IRS regulations.

Any person required to file a tax return is also required to include a taxpayer identification number (TIN). For the majority of filers, the TIN is the individual's SSN. Resident or nonresident aliens who do not have an employment authorization are generally unable to obtain an SSN. However, they are able to obtain an ITIN. The ITIN is a 9-digit number that always begins with the number 9 and has a 7 or 8 in the fourth digit.

The IRS instructs employers who do not have an employee's SSN by the deadline for filing Forms W-2 to enter "Applied For" on box a of all copies of Form W-2, and file Form W-2c after the employee receives an SSN.

### Looking Ahead

Looking to make 2009 less taxing than 2008? Here are some tax moves that may ease next year's tax burden.

**Buy a New Car.** If you are considering purchasing a new car, a special tax deduction for 2009 may be the incentive you need. The deduction is limited to the state and local sales and excise taxes paid on up to \$49,500 of the purchase price of a qualified new car, light truck, motor home or motorcycle. The amount of the deduction is phased out for taxpayers whose Adjusted Gross Income exceeds certain levels. The vehicle must be purchased after Feb. 16, 2009, and before Jan. 1, 2010, to qualify for the deduction. Since the deduction is imposed on a per vehicle basis, you can deduct the taxes paid on the purchase of more than one vehicle.

**Buy a New Hybrid Vehicle.** A purchaser of a new hybrid passenger automobile is allowed a tax credit of from \$400 to \$3,400 depending on the model. The amount of the credit depends on the fuel efficiency of the vehicle, and only certain vehicles have been certified by the IRS. Also, the amount of the credit will decline the longer you wait to purchase one in any given year because of credit limits imposed on each automaker. The tax credit for hybrid passenger automobiles and light trucks manufactured by Ford Motor Company, for example, has already begun to phase out for purchases made after March 31, 2009.



**Buy a New House.** Qualifying taxpayers who buy a home this year before Dec. 1 can get a tax credit or up to \$8,000 (\$4,000 for married filing separately) on their 2008 or 2009 tax returns. They do not have to repay the credit, provided the home remains their main home for 36 months after the purchase date. For purposes of the credit, you are considered to be a first-time homebuyer if you, and your spouse if you are married, did not own any other main home (including a mobile home or condominium) during the three-year period ending on the date of purchase. If you have already filed your 2008 return, you can either amend your 2008 return or wait until next year to claim it on your 2009 return. Phase-outs do apply.

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**Make home improvements.** New law increases the tax credit for homeowners who make energy efficient improvements to their existing homes, such as adding qualifying insulation, windows, and heating and air conditioning systems. The credit is 30 percent of the cost of the improvements placed in service in 2009 and 2010, with a maximum limit of \$1,500. A similar credit was available for 2007, but was not available in 2008. Higher standards now apply and the IRS will issue guidance soon on certification.

**Go alternative energy.** This nonrefundable energy tax credit will help pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. The new law removes some of the previously imposed maximum amounts and allows for a credit equal to 30 percent of the cost of qualified property.

### Audit Alert!

**High income taxpayers.** The IRS has recently increased its audits of high income taxpayers. The IRS defines a “high income taxpayer” as someone who has positive income of more than \$200,000. Positive income is different from adjusted gross income (AGI) and is defined as all positive income reported before any losses are deducted that would reduce it to AGI. The IRS says that out of 137 million taxpayers, 4.4 million would be defined as high income taxpayers using this definition. Another interesting fact is that 57% of “high income taxpayers” live in eight states: California, New York, Florida, Texas, Illinois, New Jersey, Massachusetts, and Pennsylvania.

**Employment tax returns.** Starting this year, employment tax returns are among the list of tax forms that require a preparer’s signature and subject that preparer to higher penalties, signaling that Congress and the IRS have placed a new emphasis on employment tax issues and their contribution to the tax gap. In yet another gesture of emphasis, October 2009 marks the date when the IRS will begin to audit 2008 employment tax forms through a new National Research Program (NRP).

One of the purposes of NRP audits is to help the IRS understand the systemic issues in the targeted tax arena – payroll taxes, in this case – and to help the IRS improve their selection process for future audits. NRP audits are very intensive, and specially trained auditors will look at all issues and related returns of a selected taxpayer.

These audits will focus on three main issues: employee vs. independent contractor, fringe benefit reporting, and reasonable executive compensation. The selection process will be random and will involve all sizes of employers. It appears that the program will look at 1500 to 1800 businesses each year and will last for three years.

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