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A quarterly  
publication from  
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# Hungerford, Aldrin, Nichols & Carter, PC

## CPAs AND CONSULTANTS

### **Hungerford Client Portal Gets Positive Reviews**

Through the Hungerford website, at [www.hanc.com](http://www.hanc.com), we now offer clients a secure portal for providing us information. The HANC Client Portal allows you to securely download and upload documents and files with the Hungerford staff members handling your account. While it saves time and provides an efficient way to share information, our top priority is to keep your data secure, and we have stringent policies and the latest technology to ensure that.

If you'd like more information on the program, contact Sally Plachecki at (616) 949-3200, ext. 6063. Before granting you password information for the portal, she'll ask for these three things:

- The last four digits of your social security number
- The e-mail address you provided us when you filled out the HANC "Going Green" sheet you received with your tax organizer
- Your current address on file

You'll need the password to open a PDF file with your user folder. When you visit the Hungerford website, you'll click on the red box named "Client Portal." When you log in the first time you'll change your password. Once logged in you'll have access to two folders. One is named "public," which can be accessed by all users on your account, and the second is a private folder that only you and the Hungerford staff member assigned to your account have access to.

We surveyed those who have already used the portal, and we got very positive responses. Those surveyed reported the portal met their expectations and needs, and they reported it was "very easy to use." Those who used it also tell us they plan to continue to use it in the future, as it saves both time and the need to print their tax information (saving printing costs). They liked both the time savings, but also liked that they didn't have to print things out, which saved both time and printing costs. When asked about any problems, or even suggestions for improving the portal system, the responses ranged from no problems or suggestions for improvements to "Thanks for obviously caring for your clients."

#### **Inside this Issue:**

- Update on Michigan Business Tax Refunds
- IRS Reminds Taxpayers of Potential Recovery Act Benefits
- Eight Things to Know If You Receive an IRS Notice

**Fall 2009**

# Update on Michigan Business Tax Refunds

If you are one of the many taxpayers who have overpaid on the first Michigan Business Tax (MBT) return, here's some information that should be helpful for you. First, there's some good news. The state of Michigan will be refunding overpayments, unlike the state of California which threatened to issue IOU's unless the state's budget issues were resolved. But there's also some bad news. You may have to wait up to 16 weeks for your refund check, as processing has been taking longer than anticipated.

The Administrator of the Tax Processing Bureau, Floyd Schmitzer, offers this advice: Do not file a second MBT return if you have not received your refund. Also, attach statements and schedules to the MBT return where explanation is warranted, and do not send or attach original documents to the MBT return.

## IRS Action Plan Announced

We like to keep you informed of developments within the Internal Revenue Service, and 2009 has produced a number of them. Congress has, as requested, increased the appropriations for the IRS to assist with enforcement of IRS regulations. According to their own reports, the IRS yields a 5.6 to 1 "return on investment" for all IRS activities. The IRS is continuing on a multi-year plan, started in August 2007, for reducing the Tax Gap – the difference in what is owed versus what is actually paid. Schedule C filers continue to get closer scrutiny from the IRS, including single member LLC and DBA, so look for a continued push for more audits.

Here are some of the specifics related to audits. The IRS reports an increase of 20% from 2004 in total individual returns audited. Audits of small businesses continue to experience double digit growth. Audits of larger corporations (assets of over \$10 million) also continue to see double digit increases in audits. The advice to taxpayers from the IRS is simple and to the point:

- Pay the tax and file on time
- If you can't pay the tax:
  - *file the tax return regardless,*
  - *pay something,*
  - *propose a specific payment plan.*

# Eight Things to Know If You Receive an IRS Notice

Every year, the IRS sends millions of letters and notices to taxpayers, and many of these arrive in the late summer and fall. Here are eight things every taxpayer should know about IRS notices – just in case one arrives in your mailbox.

1. Don't panic. Many of these letters can be dealt with painlessly and simply.
2. There are a number of reasons the IRS sends notices. It may request payment of taxes, notify you of a change to your account, or request additional information.
3. Each letter and notice offers specific instructions on what you are asked to do to satisfy the inquiry.
4. If you receive a correction notice, you should review the correspondence and compare it with the information on your return.
5. If you agree with the correction to your account, usually no reply is necessary unless a payment is due.
6. If you do not agree with the correction the IRS has made, it is important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice. Allow at least 30 days for a response from the IRS.
7. Most correspondence can be handled without calling or visiting the IRS office. However, if you have questions, call the telephone number in the upper right-hand corner of the notice. Have a copy of your tax return and the correspondence available when you call.
8. It's important that you keep copies of any correspondence with your records.

This newsletter has been prepared by Hungerford, Aldrin, Nichols & Carter, PC for our clients and other interested parties. The information may or may not apply to your specific or current circumstances and should not be acted upon without professional advice.

Many of our clients come to us as a result of referrals from current contacts and existing customers. If you are aware of someone who could benefit from our services, please call us at (616) 949-3200.

### IRS Circular 230 Disclosure:

Any advice contained in this publication is not intended or written to be used, and cannot be used, for purposes of avoiding tax penalties that may be imposed on any taxpayer under the Internal Revenue Code or applicable state or local tax law provisions.

## ***IRS Reminds Taxpayers of Potential Recovery Act Benefits***

The IRS is reminding taxpayers of the ongoing tax breaks tied to the 2009 American Recovery and Reinvestment Act. The recovery law provides tax incentives for first-time homebuyers, people purchasing new cars, those interested in making their homes more energy efficient, and parents and students paying for college. Keep in mind these incentive programs have expiration dates.

### ***First-time Homeowner Credit***

Taxpayers who didn't own a principal residence during the past three years and purchase a home this year, before December 1, can receive a credit of up to \$8,000 on either an original or amended 2008 tax return, or on a 2009 return. But remember, the purchase must close before December 1, 2009, and an eligible taxpayer cannot claim the credit until after the closing date.

### ***New Vehicle Purchase Incentive***

There is a tax break for taxpayers who make qualified new vehicle purchases after February 16, 2009, and before January 1, 2010. Qualified taxpayers can deduct the state and local taxes paid on the purchase on new cars, light trucks, motor homes, and motorcycles during this period. There is no limit on the number of vehicles that can be purchased, but the deduction per vehicle is limited to the tax on up to \$49,500 of the purchase price of each qualifying vehicle and phases out for tax payers at higher income levels.

### ***Energy-Efficient Home Improvements***

The Recovery Act also encourages homeowners to make their homes more energy efficient. The 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 percent 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 Credit for First Four Years of College***

The new credit modifies the existing Hope credit for tax years 2009 and 2010, making it available to a broader range of taxpayers, including many with higher incomes, and those who owe no tax. Tuition, related fees, books, and other required course materials generally qualify. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.

## ***Firm Steps Up for United Way Day of Caring***

Members of the Hungerford team once again chipped in to be a part of the United Way's annual Day of Caring. Employees of participating West Michigan companies volunteer to help out nonprofit organizations served by the United Way, services that are even more vital during these tough economic times in Michigan. This year we had volunteers at two events for the September event. The first was to assist the American Red Cross of Greater Grand Rapids, helping with the compilation of supplies into Individual Disaster Preparedness Kits. We also donated items to be used in the kits, including personal hygiene items, first aid kit supplies, emergency blankets, flashlights, and water.

Our second project was to assist the Equest Center for Therapeutic Riding in Rockford. There we helped out with landscaping, painting, and general clean-up. Hungerford employees also donated brand name pet food to the Humane Society's Kibble Konnection, a pet food bank that helps low-income families who are struggling financially to feed their pets. Our thanks to the United Way for all they do throughout the year for those in need in the area, and for giving us the information and opportunities to do our part.

## ***Tax Relief for Homeowners with Two Residences***

Here's another timely piece of legislation for those who may be caught in a squeeze while trying to sell their home. Public Act 96 provides tax relief for those who were forced to move before their existing home sold and, due to poor market conditions, were not able to sell their prior home. The Act allows affected individuals with two residences to claim a second principal residence exemption for a vacant home. To qualify for the second principal residence exemption, the previously exempt home must be vacant, for sale, cannot be leased or used for commercial purposes, and the homeowner must file "Treasury Form 4640, Conditional Rescission or Principal Residence Exemption" with the assessor for the city or township where the property is located by May 1 of the first year the exemption is being claimed. The form is available at the Department of Treasury website at [www.michigan.gov/treasury](http://www.michigan.gov/treasury). This relief can be claimed for a maximum of three years. Homeowners must file an annual recertification by December 31 to claim relief for subsequent years.

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2910 Lucerne Drive, SE

Grand Rapids, MI 49546-7175

## Personally Speaking

- We welcome **Tim Noyes** to head up our Healthcare Industry Services team. Hungerford provides a wide variety of tax and financial management services to doctors, dentists, and other healthcare professionals.
- Congratulations to **Amy Johnson** (formerly Shelby) on her marriage in July to Chris Johnson.
- We're pleased to report **Krista Koster** has recently completed a Masters in Accountancy through Grand Valley State University.
- Congratulations to **Janet Bruner** for passing her CPA exam.
- We'd like to welcome **Diane Brownell** to our Greenville office, where she'll assist with small business accounting services.

## Professionally Speaking

- **Peggy Murphy** has been named to the Board for the Grand Rapids Civic Theatre.
- For the second straight year Hungerford's Greenville office participated in the Greenville Chamber of Commerce golf outing at Candlestone Golf Course. Our team of Rick Chrisman, Tom Prince, Carol Schachermeyer, and Mike Drajka braved the chilly late May weather and finished fifth. It was Mike's lucky day with the event raffle, as he won both a set of clubs and a golf bag.
- A number of the Hungerford team are again taking part as volunteers this year in the Schools of Hope tutoring program. Volunteers tutor area students with their reading skills.
- **Aaron Sal** again headed up the Hungerford team in September's Walk to Cure Diabetes at Ah-Nab-Awen Park in Grand Rapids. The Juvenile Diabetes Research Federation has provided more funding for diabetes research (more than \$600 million since 1970) than any other non-governmental agency in the world.
- **Dan Carter** has been named to the Board of the Western Michigan Junior Golf Foundation which is hosting the 2010 USGA Junior Amateur Championship, to be held at Egypt Valley Country Club. If you'd like to become a benefactor for the event, please contact Dan who is serving on the Fund Raising Committee.