

July 14, 2009

Dear Clients & Friends,

Because of the recession, many states are looking at large budget deficits. Virtually all states are enacting new tax laws to try to close the budget gaps. In response, there have been several recent changes to New York State and City tax laws including increases in the personal income tax rates and the passing of a new Metropolitan Commuter Transportation Mobility Tax. These changes affect individual taxpayers as well as Partnerships, Limited Liability Companies treated as Partnerships, and S corporations.

New York State - Personal income tax

For tax year beginning on for after January 1, 2009, the personal income tax rates are increased as follows:

For married individuals filing a joint return, the tax rate is:

7.85%	Income over \$300,000 to \$500,000
8.97%	Income over \$500,000

For single individuals, married individuals filing separately, and estates and trusts, the tax rate is:

7.85%	Income over \$200,000 to \$500,000
8.97%	Income over \$500,000

For individuals filing as head of household, the tax rate is:

7.85%	Income over \$250,000 to \$500,000
8.97%	Income over \$500,000

If the taxpayer's New York adjusted gross income is more than \$1,000,000, the New York itemized deduction is now limited to 50% of the taxpayer's federal itemized deduction for charitable contributions. All other federal itemized deductions will be reduced to zero. Therefore, there may be a need to increase the amount of estimated payments for the 2009 tax year.

Estimated Tax Payments

To avoid the penalty for underpayment of estimated tax, the total amount of estimated tax and withholding tax paid must be the lesser of:

- 90% of the income tax due for 2009; or
- 100% (or 110%, if applicable) of the tax shown on the 2008 return. Under the new law, in determining whether you paid 100% (or 110%) of the tax on the 2008 return, the 2008 tax must be recomputed using the 2009 tax rates and rules.

The recent changes affect estimated tax payments for individuals and partnerships or New York S corporations that file group estimated tax payments on behalf of their nonresident partners or shareholders.

Please click on the links for more information from the New York State Department of Taxation and Finance.

http://www.tax.state.ny.us/pdf/notices/n09_7.pdf

http://www.tax.state.ny.us/pdf/notices/n09_8.pdf

http://www.tax.state.ny.us/pdf/notices/n09_9.pdf

Filing Fee

Under the new law, in addition to the filing fees applicable to limited liability partnerships (LLPs), limited liability companies (LLCs) treated as partnerships, and LLCs that are disregarded entities, a filing fee will now also apply to regular partnerships. However, the filing fee for regular partnerships will only apply if the partnership's New York source income is \$1M or more.

Please click on the link below for more information from the New York State Department of Taxation and Finance.

http://www.tax.state.ny.us/pdf/memos/income/m09_8i.pdf

Metropolitan Commuter Transportation Mobility Tax

The Metropolitan Commuter Transportation Mobility Tax is a new tax imposed on certain employers, self-employed individuals, partners and partnerships engaging in business within the Metropolitan Commuter Transportation District (MCTC). The MCTD consists of the five boroughs of New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

Please click on the link below for more details.

<http://www.tax.state.ny.us/sbc/mta.htm>

New York City

The New York City Department of Finance has also increased the individual resident tax rates for 2009 with a new 14% surtax. Please see the tables below.

Resident Married Individuals Filing Joint Returns and Resident Surviving Spouses

City Taxable Income	Basic Tax Rate	Full Tax Rate Including 14% Surtax
\$21,600 or less	2.55% of income	2.907% of income
Over \$21,600 up to \$45,000	\$551 plus 3.1% of excess over \$21,600	\$628 plus 3.534% of excess over \$21,600
Over \$45,000 up to \$90,000	\$1,276 plus 3.15% of excess over \$45,000	\$1,455 plus 3.591% of excess over \$45,000
Over \$90,000	\$2,694 plus 3.2% of excess over \$90,000	\$3,071 plus 3.648% of excess over \$90,000

Resident Heads of Households

City Taxable Income	Basic Tax Rate	Full Tax Rate Including 14% Surtax
\$14,400 or less	2.55% of income	2.907% of income
Over \$14,400 up to \$30,000	\$367 plus 3.1% of excess over \$14,400	\$418 plus 3.534% of excess over \$14,400
Over \$30,000 up to \$60,000	\$851 plus 3.15% of excess over \$30,000	\$970 plus 3.591% of excess over \$30,000
Over \$60,000	\$1,769 plus 3.2% of excess over \$60,000	\$2,017 plus 3.648% of excess over \$60,000

Resident Unmarried Individuals, Resident Married Individual Filing Separate Returns, and Resident Estates and Trusts

City Taxable Income	Basic Tax Rate	Full Tax Rate Including 14% Surtax
\$12,000 or less	2.55% of income	2.907% of income
Over \$12,000 up to \$25,000	\$306 plus 3.1% of excess over \$12,000	\$349 plus 3.534% of excess over \$12,000
Over \$25,000 up to \$50,000	\$709 plus 3.15% of excess over \$25,000	\$808 plus 3.591% of excess over \$25,000
Over \$50,000	\$1,497 plus 3.2% of excess over \$50,000	\$1,707 plus 3.648% of excess over \$50,000

If you would like more details about this or any other aspect of the changes in the law, please call our offices and ask to speak to one of our shareholders or email us at info@taxwarriors.com.

Sincerely,

Drucker & Scaccetti, P.C.