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Newsletter – Winter/Holiday 2010

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Well here it is- the final newsletter of 2010. This could be the most incomplete newsletter I have ever written. The reason is we are still waiting on the passage of many expected extenders and updates to the tax law. As of today and (I am in December when I write this) we have seen the proposal but not passage. (I have inserted this line just before it hit the airwaves. IT now looks like it did pass with most of what we saw proposed) Some of you may remember several years back when the law didn't get passed until March and of course we had to amend all of the returns that we already filed. What a nightmare. Well besides this being the final newsletter that means tax season is just around the corner. Yes we will be sending out the priority appointment letter however this year we will be sending it out electronically so please make sure we do have your right email address. As is most years our time in the office is "occasional" around Christmas and New Year but this year we are planning on being back for the rush on 1/4/11. Anyway here is the info so far of what we have albeit incomplete.

The new four letter swear word 1099

I have devoted much space in the previous two newsletters about what is going on about the new reporting requirements with 1099's starting in 2012. The original estimate is this will increase my workload 800%. It is because of that the normally worthless organization called the AICPA society has finally done something worthwhile and has pushed up the fight against this new law. Now this law is only for trade and businesses (except see below) and in 2012 if you pay anyone over \$600 you have to issue a 1099. Just a note though if you are engaged in a trade or business now and you pay anyone over \$600 that is not a corporation you have to issue a 1099 now. The reason I am mentioning the old law is the penalties for NOT doing this have gone way up and that includes for 2010. You see the way this administration is planning to fund itself is thru penalties. So if this fits you please let us know so we can make sure there are no nasty letters in your mailbox.

PLUS

Starting in 2011 the 1099 law will include ALL landlords. That is right, if you are renting your condo because you couldn't sell it in today's market and Joe the plumber comes out to fix the leak, before you pay him get his Name, Address SS# or FEIN (tax id#) and phone#, you will then need to give me the amount you paid Joe. Now in 2011 if Joe is doing his plumbing work thru LEAKY JOE Inc. you don't have to file a 1099 but in 2012 you will. So ALL LANDLORDS beware. One note I heard thru the grapevine- The IRS does appear they may be willing to forgo this requirement if these payments are made thru a credit card or something like Paypal ect. You want to know why because the IRS has EASY access to this information. Just how BIG is BIG Brother getting.

Another Worry

The IRS has again announced they will step up their efforts to assure non-cash charitable giving is accurately reported in the tax return. Yes this has been in other newsletters but because of the IRS announcement it bears repeating. If you gave away clothing or household goods-

- A. Make a list
- B. Photograph the items
- C. Go to the Goodwill website to get the value

Printing off the Goodwill list would be a good idea. This will not only be the best way for you to prove your deduction but you may also be surprised just how large a deduction it is.

Coupons Gone

While we have communicated this to our clients to who we do payroll work that make deposits this already please note, the form 8109 which are the coupons formerly used to deposit business taxes including payroll are no longer allowed. You now must go online and sign up for the EFTPS system. It is relatively easy however it does take time to set up so do it now because if you wait till 1/15/11 your payment will be late.

Can taxes get anymore confusing?

Yes-if it is congresses intent to paralyze us for tax planning they have done an outstanding job. First we have a major tax bill that will affect your 2010 return being fought over like dogs with a piece of rare meat plus we have no estate tax for the rest of 2010. Yes none of us ever expected this (which is why all of this very bad stuff in the health bill scares me. Do you realize this is the first time congress has ever put a tax on breathing?) However now that this has happened...

An Opportunity Awaiting

There may never be a better time to gift than between now and the end of the year. I did say this is a confusing time and you might want to wait to see if it is necessary. What I have heard is the estate cap has gone to five million and therefore most of you may not need to take advantage of this. But I still don't have official word of this. The old law had the estate level to go back to 1 million (which is not that hard to get to) and if you are affected by this (hopefully resolved by the time you get this) or the 5 million level affects you, gifting may be the answer. Remember it must be done before the end of 2010. Again the gift must be completed. That means if a check is issued it must be deposited in the donee's account. If property is involved it must be titled in the donee's name by 11:59 pm 12/31/10. This can also be done thru certain trust and one more caveat for 2010- Normally if you skip a generation (like Grandpa gifting to grandson) there is an additional tax called the generation skipping tax (aren't they clever). For the rest of 2010 that is gone. Sorry this advice is so late but I like everybody else fully expected a retroactive tax law to be passed. We were wrong.

Final Note on that other of life certainty besides taxes

We caught something in law that has shocked and floored us. Back when the 2010 no estate tax law was passed in 2001 there was a provision for filing requirement of all persons passing in 2010 to file a form claiming the allocation of basis. This was to be attached to the final 1040. We never paid attention to this because no one ever thought this would ever come about. Well it did and there is a very large penalty if this is not done. The IRS has not come out with a form for this yet however if you, like me this year, have lost a loved one please be advised there are more forms to file than ever before.

This crazy list just keeps on coming

A little good news- If your credit card allows it and you choose to donate your rebates to charity you are allowed a charitable deduction AND you are not charged for the income. Seldom do you get the best of both worlds. Here you can so you may want to look into this. Do remember any charitable gift over \$250 requires written acknowledgement from the charitable organization so make sure you get that for your taxes.

Medical NO NO

Starting in 2011 if you are involved in a HRA, FSA, HSA or MSA (all of these are medical reimbursement plans) over the counter drugs will not be allowed. The dangers here are first there is a penalty if you don't use the account for approved expenditures and if your account uses a debit card (as many do) the card will not be able to tell you this procedure is not approved. So please beware.

Fraud it is there

If you receive an email from the IRS and you did not specifically authorize communication in this manner, it is fraud. Most recently emails were sent on the EFTPS system (yes that one all us businesses have to do now). If you get one of these forward those emails to PHISHING@IRS.gov and by all means NEVER give your personal information to anyone you don't know over email. The IRS will never ask for this in the form of an email.

Yes you can deduct that

I mentioned in previous newsletters that last year I saw more unemployment forms than in the last 5 years combined. Well those expenses of looking for a job are deductible. They include-

- Employment agency fees
- Preparing and mailing résumés
- Job consulting and referral service
- Professional career consultation
- Travel expenses including cars
- Publications, which could include Internet

Hey it is something and it is a good time for all of us to get the absolute most we can out of taxes.

Final Note – Yes it is a soap box

Even though my republican friends never wavered I had hoped when Obama got into office we would see some much needed change in the way government was handled. I remember in his speech before congress on 2/24/09 he pledged to make sure every dollar spent would “reflect only our most important national priorities” and he would cut the deficit in half and the guarantee of no tax increase for anyone earning under \$250,000 per year. I also remember him criticizing Bush for his 371 billion deficits for fiscal 2008. So now we have spending out of control and a deficit measured in the trillions and the largest tax increase for all Americans was passed since 1936 when the social security act was passed and that tax bill plummeted our economy into a four- year depression. Have we created a political system where if you are honest and truly interested in fixing things you are doomed to failure and the only way to get elected is to lie and then close the doors so you can do whatever you want. We once booted a president out of office for a “Read my lips” statement. Have we come to realize that if we held everyone accountable there wouldn't be anyone left? I wish I had a solution but I don't. Because one has to wonder just how much more the fabric of our country can take before it rips like the roof in Minneapolis. Let's hope we look at the times where America thrived and get back

to the policies that worked then. Republicans or Democrat does not matter-the course needs to be changed.

On that happy note we close out 2010. As soon as this goes out it should be dated by the new tax law- hopefully. Also the appointment letter will be sent out electronically this year so be looking for it before the end of the year so you can get the appointment time you want. Until then,

Merry Christmas and Happy New Year

Tom, Dorothy and Lori