Thomas H. Billeter, CPA 630.377.4635
Newsletter – Fall 2010 527 Illinois Ave, Saint Charles, IL 60174

The Real Fall 2010 Newsletter

Most of you have received our first on-line newsletter and per your feedback it is a huge success. Thank you. Thanks to a client or two, we are looking into getting even further into today's technology. Please if we don't have your email address make sure we do so we can get all of this out via electronic including the appointment system this year. But enough about this- we are in the middle of intense tax law changes. Goody for me-kinda. I do have to learn all of the new stuff but even more important than that is you will need to know these new nuggets that are going to affect you now. The health care package is not the only piece of work we got. So here goes.

It is time to take a holiday

For our business clients who are many because this will even affect small businesses. Yes those smaller Sch C + E we put on 35% of our tax returns. There is tax holiday for the social security taxes paid to an employee. You have till the end of the year to take advantage of this. The employee must be qualified and on that you are going to have to call me about because those qualifications are not simple and easy, but the main qualification is they can't have worked for more than 40 hours in the last 60 days. This is geared toward unemployed workers and there is a credit of $1000 if the worker is retained. Now you have to realize the law is very complicated and again please call if you intend to do this BUT I would not be putting the 1st in this newsletter if I didn't find a loophole in this law. From what I can tell if your spouse qualifies under this new law you can get both the tax holiday and credit. Time to call me is now if you want to do this but this appears to have fallen thru the cracks of the authors of this new law.

Have so much info so little time

It is going to be hard for me to go thru everything in these new laws. Many of you are calling me when you see something and please continue to do so. So often the media distorts the new laws. There is so much in these new laws I may have to get back to you with the answer but the planning starts now.

Again for business current write-off of assets purchased in 2010 is again extended. Don't let the tax tail wag the business dog but if you need the new equipment we will be able to write it off.

Okay non-business clients it is time to wake up

I have never seen in my 26 years of doing taxes any greater effort by the IRS than the one they are currently on to get you to disclose any foreign assets. I have asked you all the question about foreign accounts but now it is getting bigger, broader and more important with the penalties for non-compliance becoming one of the largest around. This includes ANY & ALL accounts you have off shore. If they exceed $10,000 at any time during the year you have to report it but now this has been expanded to include any account regardless in a financial institution or any financial investment or contract OR any interest in a foreign entity. And now spreading your money out over several accounts will no longer work. If the aggregate value for all investment exceeds $50,000 you need to report this now. Penalties you say-how does $10,000 penalty for each occurrence sound with a max of $50,000 plus 40% of the tax if the lack of disclosure cause the tax on your return to be less than what it should of been plus the new law now lets the IRS go back 6 years to see just how bad you were. This includes trusts. So if you have anything anywhere not in the US you need to let me know or the consequences are very high.

That day has come

I had hoped the IRS would make it easier to electronic file before they made it mandatory, but no. Starting this next tax season all "large" (yes we are large) accounting firms must file all tax returns electronically. There is hope you will be able to sign a form to opt out of this so I will keep you posted. It's really going to hurt when I have to file electronically and you owe. We will update you on that.

Thank God someone is watching

Due to the outcry from the CPA world-that extremely burdensome requirement of having to report ALL of your business expense starting in 2012 has been open to input by the IRS. Now we have to wait and see if they really listen or if they will be like my dog that never listens to me.

Back to business

IRS again is looking at unreported tips but now they are looking at going after the employers. If you are affected here beware and shame on you because there is also a credit if you report the tips voluntarily Call me to get you on this program.

Things are getting uglier and uglier

You know we love S-Corps for operating business. While complex they do offer flexibility you don't see anywhere else. Well there are now a couple of potential OH NO's!! coming down the line. A case has proceeded were the IRS is seeking employment taxes for S-Corp dividends but what is unusual about this case is this is the first case where a salary was actually paid. Normally the IRS has only gone after S corps that have large profits and no salary. These were easy wins for them. Also this administration wants to get rid of that tax break. A bill is moving thru to do just that. Not only that but there are other OH No's and they are not related to business.

- Careful what you wish for. A father owed back taxes. Transferred real estate to his son, guess who the IRS went after and won. You guessed it the son and this includes transfers of gift and estates. So maybe getting that CD from Aunt Martha's estate wasn't all that great after all.
- Parsonage allowances are under attack. Yes! This is a big deal for quite a few of our clients that are church leaders. If you have any governing body you need to make them aware of this so they can act on your behalf. The challenge is on a constitutional not a tax level. What ever happen to separation of church and state.
- Also under attack-people earning over $200,000, people filing form 8283 those bags of clothes (remember we have asked you to keep an itemized list and take pictures), gifts and trust. Just where is the IRS getting the time to do all of this.

I am running out of time

Soooooo many more bullet points.

- The IRS has issued very detailed guidance on the health care credit for small business. It is so detailed all I can tell you is to call.
- Homebuyer credit was extended for CLOSINGS to 10/1/10. Apparently many buyers had a lot of trouble getting financing. What a shock
- Again very detailed new guideline on the new under age 27 for health insurance coverage. I already emailed this to one client. I can do more if you need this new info.
- Service animals are now allowed a deduction for mental health as well as physical. Service animals are seeing eye dogs ect. Expanding to mental health could mean quite a deduction.

More bad news

- IRS is going to look at the homebuyer credits even closer. This will undoubtedly mean more delays.

- IRS is doing more audits on both personal and corporate returns. Guess what the main target was? If you don't know look back at the rest of the newsletter. Yep! Foreign accounts. It is hard to call this beating a dead horse when it can bite you in the pocket book so hard.

And yet another marriage penalty

If you file a joint return you are jointly and severally liable for the tax. That means if the tax bill is not paid the IRS can come after either both of you or each of you separately. Now this applies to the penalty. Let's say you're not so honest spouse lies on the return. You sign it and the spouse gets caught. Everybody agrees it was all your spouse's fault but a penalty gets slapped on the return because of what your spouse did, guess who might have to pay that penalty? Do I need to go on?

Again trying to wrap this up

- Please keep in mind the new tax on investments starting in 2013 may require some planning so call. There are things that can be done now.
- Also if you have or are involved with a tax-exempt organization and haven't filed in the last 3 years guess what, you will lose your tax-exempt status. MAKE SURE YOU FILED.

Side note

Here is where I usually put something funny about the IRS but to be honest there isn't much to laugh at BECAUSE

- Our government has a deficit of 1 TRILLION for the first 9 months of 2010.This is really good news because it is 81 billion less than the same period for 2009. Darn we missed the record set last year. (How much is a trillion anyway?).
- For the first time ever Social Security will pay out more than it takes in but don't worry because the Congressional Budget office says with the current recovery we should be back in the black. ? RECOVERY? 1 Trillion deficit-record unemployment. WHAT RECOVERY.
- Heard about those Bush tax cuts and what they did for the rich. With those tax cuts the top 25% of household income did make 55% of all the income made (yes that would be you) but paid 70% of all the tax. Sure why not make it 90% so we can put a tombstone on the economy.

Enough is enough- See you at our holiday newsletter

Tom and Dorothy Billeter