CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – July 2010

Major Tax Deadlines
For July 2010

* August 2 - Due date for filing retirement or employee benefit plan returns (5500 series) for plans on a calendar year. (The normal deadline is July 31, but since that day is a Saturday this year, the deadline moves to the next business day, August 2.)

NOTE: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe $100,000 or more on any day during a deposit period, if you owe $2,500 or less for the calendar quarter, or if your estimated annual liability is $1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

What's New in Taxes

New W-2 rule causes confusion

Starting with W-2s issued for the year 2011, employers will be required to report the value of health insurance premiums provided for each employee.

Reports indicating that these amounts will be taxable to employees are incorrect. Though the value of health coverage provided by employers must be listed separately on the W-2, it will not be added to taxable wages. Congress apparently wanted employees to be aware of how much their employer is spending on their health benefits.

When you buy a house, check the paperwork for tax benefits

If you buy a house this year, you'll close the deal by signing a mind-numbing stack of papers. When that's finished, don't just file the documents away in a drawer. Hidden in there are some deductions you might be able to take this year, and others that could increase your profit when you sell.

To find the extra deductions, you'll need to locate a document called the closing statement. That's a list showing the costs to be paid by the buyer and seller at closing. Look for these items which you may be able to deduct in the year of purchase:

* Loan origination fees, sometimes known as points. You can generally deduct these up front, unless you're refinancing a previous mortgage.

* Mortgage interest for the few days from closing until the first of the following month when regular mortgage payments begin. You'll usually prepay this interest in your closing costs, and it's deductible.

* Your share of property taxes. Usually the seller has prepaid the property taxes for at least six months, and you'll repay him for your share at closing. You can deduct these as part of your itemized deduction for taxes paid during the year.

Other closing costs you pay will generally add to your cost basis in the home. These can be important when you sell, as they may reduce your liability for capital gains tax. Make sure you save a copy of the closing statement in your permanent records.

If you have questions, bring a copy of your closing statement to our office. We can identify what's deductible and alert you to any other tax breaks.

New Business

One-third of those eligible used COBRA subsidy

According to a study by the Treasury's Office of Economic Policy, about a third of unemployed workers who were eligible took advantage of the COBRA subsidy to help pay for their health insurance.
COBRA is the law that lets workers who lose their jobs keep their former employer-provided health insurance for up to 18 months if they pay the premiums. A 2009 law provided a government subsidy for 65% of premium costs for up to 15 months.

The reasons suggested by the study for not enrolling in COBRA included having health insurance through a spouse's plan or not being able to afford the premiums even with the subsidy.

Starting a business? Avoid these hiring mistakes

Challenges that merely annoy an established firm often capsize a start-up company. This is especially true in the area of staffing. When a big corporation makes a hiring mistake, the company suffers, but survives. Committed by a fledgling firm, the same mistake may spell disaster. After all, if your company employs only five people, one wrongly hired employee will make up a fifth of your work force. That person's incompetence or poor people skills can bludgeon the firm's bottom line.

Following are three of the most common hiring mistakes made by start-up companies. Avoid these blunders and you'll be well on your way to building a productive team.

* Staffing the firm with friends and family. While this strategy may work in some circumstances, hiring pals and relatives often spells trouble. For one thing, friends and family members often expect - even subconsciously - to be treated differently from other employees. Such a double standard, whether real or perceived, can hurt morale and productivity. As a general rule, hiring decisions should focus solely on the needs of the firm and applicant qualifications.

* Trusting in a handshake. Memories fade. Expectations fluctuate. As with other important aspects of your business, employee arrangements should be laid out in writing. This can be as simple as drafting employee offer letters that cover compensation, rights to intellectual property, and bonus arrangements. Employee handbooks are also a good way to spell out the responsibilities of the firm and its staff.

* Bringing in a partner for the wrong reasons. Sure, you might save money in the short term by selling a portion of your firm to a partner. But think long and hard about the downside risks. Do you really need to surrender a portion of your company - including control over important management decisions - to someone else? What will this partner contribute? Can you find other ways to fill gaps in your team? Remember, a bad partnership may end up in the business equivalent of divorce court. So choose wisely.

For assistance with any of the issues facing your start-up business, give us a call.

What's New in Finances

Con artists target the unemployed

Federal officials have recently warned that employment-related scams are soaring. As the economy struggles and unemployment grows, ads for bogus jobs are on the rise. The ads are popping up everywhere from local newspapers to signs on the corner telephone pole. The Internet makes it easy for con artists to defraud victims with e-mail pitches and online job boards.

Beware of the following popular scams:

* Work-at-home scams usually require an up-front fee for training, materials, or equipment. Scam artists promise to pay for work, such as stuffing envelopes, processing medical claims, or making toys. Either the work never materializes, or workers are not paid.

* Business opportunity scams also require up-front fees. Con artists sell vending machines, software products, and other equipment that is never delivered or is of such poor quality that it has little or no value.

* Victims of phantom civil service jobs pay for study materials and exams with promises that they'll land jobs with the Postal Service, airports, or other government agencies. Unfortunately, the jobs never materialize.

To avoid being victimized, consider these suggestions:

* Never pay up-front fees. Legitimate job agencies generally don't ask for money until after they've performed a service.

* Be skeptical of "easy money" ads. If an opportunity sounds too good to be true, it usually is.

* Watch out for ambiguous ads. Legitimate companies provide detailed job descriptions about the positions they are trying to fill.

* Don't give personal information to strangers. Con artists can use this information to steal your identity and your money.

* Be suspicious of ads with 900 phone numbers. Be aware that 900 numbers are pay-per-call, and the charges will appear on your phone bill.

* Know with whom you're dealing. Contact the Secretary of State where the business is located. Ask if the business is registered and if complaints have been filed against it.

* Be dubious of postal box numbers. Ask for the business's physical address, and investigate whether the business is actually located there. The local Chamber of Commerce may be of assistance.
The bottom line: Do your homework before you pay job-related fees.

Financial issues the second time around

Over five million people will exchange marriage vows each year. Among the starry-eyed newlyweds walking down the aisle will be a number of middle-aged folks tying the knot for the second time around. These couples face some unique financial planning issues. If you're marrying again in your 40s, 50s, or beyond, here are some suggestions you should consider:

* Enter into a prenuptial agreement. These agreements are not just for the rich and famous. They make sense for many people who bring assets into a marriage and wish to preserve their legal rights in those assets.

* Obtain retirement plan waivers. The law provides that your spouse is entitled to your 401(k) account and survivor benefits from your company's pension plan in the event of your death. If you don't want your new mate to receive these assets, he or she must sign a written waiver that renounces rights to them.

* Properly title your assets. If you and your spouse plan to co-own property, be careful how it is titled. Assets titled in "joint tenancy with rights of survivorship" automatically pass to your spouse if you die first. By contrast, if you title assets as "tenants in common," you can leave your portion of the property to anyone you wish. Consult with your attorney.

* Maintain separate bank and brokerage accounts. Think twice before commingling assets since it can be difficult to determine property rights in the case of death or divorce.

However, as a matter of practicality, you'll probably want to maintain at least one joint bank account to cover routine household expenses.

* Update your will and trusts. Wills and trusts can give you a great degree of flexibility in disposing of property at death. For example, if you and your spouse own a home together, you can provide that your spouse gets to live in the home until he or she dies, at which time your interest in the property is to pass to your children.

For assistance with this or any of your financial concerns, give us a call.

Take a Break

Wedded conversations

A British study of 500 couples reported some interesting data about married couples and their communication.

* Couples married one year spend 40 minutes of an hour-long dinner engaged in conversation.

* Couples married 20 years spend 21 minutes of that hour talking.

* Couples married 30 years spend only 16 minutes talking during the hour-long dinner.

* After 50 years of marriage, the dinner conversation drops to three minutes of that hour.