CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – March 2010

Major Tax Deadlines
For March 2010

* March 1 - Farmers and fishermen who did not make 2009 estimated tax payments must file 2009 tax returns and pay taxes in full.

* March 1 - Payors must file information returns (such as 1099s) with the IRS. (Electronic filers have until March 31 to file.)

* March 1 - Employers must send W-2 copies to the Social Security Administration. (Electronic filers have until March 31 to file.)

* March 14 - Daylight Saving Time begins.

* March 15 - 2009 calendar-year corporation income tax returns are due.

* March 15 - Deadline for calendar-year corporations to elect S corporation status for 2010.

* March 31 - Deadline for payors who file electronically to file 2009 information returns (such as 1099s) with the IRS.

* March 31 - Deadline for employers who file electronically to send copies of 2009 W-2s to the Social Security Administration.

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

Consider this new way to use your tax refund

If you're receiving a tax refund this year, you can use it to buy U.S. savings bonds from the IRS. Here are the details.

* You may purchase up to $5,000 in U.S. Series I savings bonds.

* The total amount of bonds you purchase must be a multiple of $50. Any refund over the specified bond purchase amount must be deposited into another financial account, such as a checking or savings account.

* Bonds will be issued in your name. If you're married and file a joint return, the bonds will be issued in the names of both spouses.

The bonds will be sent to you by mail.

* You select this option when filing your 2009 return by using Form 8888, "Direct Deposit of Refund to More Than One Account."

Form 8888 gives instructions on selecting this option and specifying the amount of refund you want to use to buy savings bonds.

For additional information about Series I savings bonds, go to www.treasurydirect.gov.

Prior year laws make changes to the tax rules for 2010

There are many changes in the tax rules this year, with the promise of much more to come. Here are some of the 2010 changes that could affect you.

*** Deductions.** The 2001 tax law gradually restored the full deduction for personal exemptions and itemized deductions for higher-income taxpayers. Effective this year, highincome taxpayers are entitled to the full $3,650 deduction for each personal exemption they take, and there will be no income-based reduction in their total itemized deductions. As with most other provisions in the 2001 tax law, this change ends after December 31, 2010, and itemized deductions and personal exemptions will again be limited for highincomers in 2011.

*** RMDs.** For 2010, annual minimum distributions from most retirement plans are once again required for those aged 70½ and older. In 2009, these required minimum distributions (RMDs) were suspended.

2010 distributions must be taken by December 31, 2010. Taxpayers who turn 70½ in 2010 may choose to delay taking their first distribution until April 1, 2011.

*** Roth conversions.** Prior to this year, taxpayers with adjusted gross income over $100,000 were not allowed to convert a traditional IRA to a Roth IRA. A provision from a

2006 law went into effect January 1, 2010, repealing the income limit for Roth conversions.

Roth IRAs have two major benefits over the traditional IRA. Qualifying distributions are tax-free, and no annual distributions are required once you reach age 70½.
The major drawback to converting a traditional IRA to a Roth IRA is the fact that the conversion is taxable. But if you convert in 2010, you can elect to report half of the income on your 2011 tax return and half on your 2012 tax return.

New Business

Unemployed workers get COBRA extension

On December 19, 2009, a defense spending bill was signed into law which included an extension and expansion of the subsidy for COBRA health insurance premiums. COBRA is the law that allows former employees to keep their employer's health insurance for up to 18 months if they pay the premiums.

The stimulus law passed in February 2009 provided for up to nine months of government subsidy for 65% of the premium cost for workers who lost their jobs between September 1, 2008, and December 31, 2009.

The new law extends the 65% subsidy for an additional six months, giving a total of 15 months assistance. The law also extended the eligibility cut-off date from December 31, 2009, to February 28, 2010.

Corporate minutes are an important part of your company's tax planning

Writing up the minutes of board of directors' meetings is not exactly a high priority for most business owners. Yet well-documented corporate minutes can provide valuable supporting evidence if your tax positions are ever questioned.

Minutes are especially important where any kind of related-party transactions occur, such as payments, loans, or distributions between the company and its owners. For example, the IRS may challenge the amount of compensation paid to a business owner as unreasonable. Corporate minutes that document the factors considered by the board in approving the compensation can be a strong defense against such a challenge.

Another area that receives close scrutiny from the IRS is the amount of earnings that are retained in the business rather than distributed as taxable dividends. A penalty applies to retained earnings over a certain limit unless they can be justified by business needs. Corporate minutes can be a strong piece of supporting evidence if they clearly spell out the reasons that the company needs to retain funds — for example, to purchase assets or for working capital.

If your company has a tax-qualified retirement plan or a stock option plan, the minutes should show decisions by the board adopting or modifying the plan. They should also document annual decisions on the percentage of contribution to profit-sharing plans and

any decisions on fringe benefits, such as medical reimbursement accounts.
Corporate minutes need not be lengthy, but they should provide a clear record of corporate actions and the business factors that were considered when those actions were taken. You should think of your minutes as a key element of your tax planning strategy.

What's New in Finances

Retirement saving may require adjustment

As you check your retirement accounts this year, the following data might convince you that you need to start saving more if you hope to enjoy a financially secure retirement.

* **Health care costs.** Seventeen cents of every dollar spent in the U.S. last year was spent on health care. Health care spending reached $2.5 trillion, or $8,047 per person. Projections indicate that by 2020, approximately one in every five dollars spent in this country will be spent for health care.

* **Social security.** More social security taxes are collected annually than are paid out in social security benefits, but because the government uses the surplus for other needs, there is no surplus fund built up. As the baby boomers retire in the next several years, the social security system is expected to begin paying out more than is collected, with annual losses beginning in 2016 or 2017.

Homeowners: Don't make these insurance mistakes

Catastrophes, thefts, natural disasters, accidents, fires - they happen. If such misfortunes strike, a well-researched and up-to-date homeowner's insurance policy can keep your family's finances afloat during trying times. Proceeds from a homeowner's policy can provide necessary funds to replace your house and belongings. A good policy can also protect against unexpected liabilities. If you're considering a new homeowner's policy (or already have one), watch out for some common pitfalls, including the following:

* **Inadequate policy limits.** Some homeowners try to lower their premiums by purchasing a policy that doesn't fund their home's replacement value. That's often a big mistake. If the cost to replace your home has risen over the years and policy limits haven't kept pace, you could end up footing the bill for much of the replacement cost (or selling your property at fire sale prices).

* **Personal property not documented.** If you need to file a claim, an insurance carrier will want solid evidence that you owned the items being claimed. It's a good idea to take pictures or videos of all your household goods, and keep receipts of all expensive purchases. Place copies of the pictures and receipts in a safe deposit box and at home in a fireproof safe. You might even send copies to an out-of-town friend or relative. Being able to provide clear evidence of your personal belongings will simplify the claims process and help ensure that you get paid.

* **Valuables not covered.** Check your policy to ensure that expensive jewelry, antiques, and other valuables are included. If not, consider adding a rider to the policy that specifically lists such items.

* **Deductible too low.** Generally, the higher the deductible, the lower the premium. True, in the event a claim needs to be filed, you'll pay a bigger chunk of the repair or replacement cost with a high deductible. On the other hand, with a high deductible you'll generally pay lower premiums each year.

By doing careful research and avoiding some common mistakes, your homeowner's insurance policy will be affordable and still provide solid protection should disaster strike.

Take a Break

What's taxable?

Governments always seem to be looking for more revenue. Here are some of the more unusual things that have been taxed.

* In 1695, England taxed bachelors. Missouri taxed bachelors in 1820.

* In 1702, Russia taxed beards. Peter the Great also taxed hats, boots, beehives, and burials.

* Ancient Egypt taxed cooking oil.

* In the year 1, Rome taxed urine.

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.