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TaxScriptions

"A Prescription For Tax Relief"



Volume II Issue I

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TAX SAVINGS - HIRE Act of 2010

Timeline of Health Care Reform Legislation

Health Care Reform Legislation - Will Your Practice Save or Pay Taxes?

Market Outlook - June 2010

MassHealth Benefits Update
2010 Tax Numbers

Important Tax Dates & Deadlines:

June 15, 2010:

Individuals:

2nd quarter estimated tax payments due for federal and state

Businesses:

2nd quarter estimated tax payments due for federal and state

July 31, 2010:

Businesses:

Comments from the Corner Office

Tax season is finally over after the IRS graciously extended the filing deadline to May 11th for some Massachusetts and Rhode Island residents.

Summarized below are some tax law changes that have occurred over the past few months that we believe may effect your practice.

If you have any questions, or would like to discuss these topics further, please feel free to contact us.

Enjoy!

Managing Partner of Rosen & Associates, LLP

Hiring Incentives to Restore Employment (HIRE) Act of 2010

Another tax provision that is extremely important to many of your practices is the HIRE Act of 2010. The President signed into law the "Hiring Incentives to Restore Employment Act of 2010". The centerpiece of this Act is a payroll tax holiday and up-to-\$1,000 tax credit for businesses that hire unemployed workers. In addition to these new hiring incentives, the HIRE Act also includes a one-year extension of the enhanced small business expensing option under Code Sec. 179 .

2nd quarter payroll returns due (Form 941)

September 15, 2010:

Individuals:

3rd quarter estimated tax payments due for federal and state

Businesses:

3rd quarter estimated tax payments due for federal and state

Final deadline if an extension was requested (Forms 1120, 1120S & 1065)

Final deadline to fund retirement plan contributions for 2009 tax year for S-Corporations and Partnerships

October 15, 2010:

Individuals:

Final deadline if an extension was requested (Form 1040)

Final deadline to fund retirement plan contributions for 2009 tax year for sole proprietors or single-member LLC

October 31, 2010:

Businesses:

3rd quarter payroll returns and payments due (Form 941)

2010 Auto/Truck Depreciation Limits

Qualified Passenger Autos

Payroll tax holiday and up-to-\$1,000 credit for employers who hire unemployed workers. To help stimulate the hiring of workers by the private sector, the new law exempts any private-sector employer that hires a worker who had been unemployed for at least 60 days from having to pay the employer's 6.2% share of the Social Security payroll tax on that employee for the remainder of 2010. A company could save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800-the maximum amount of wages subject to Social Security taxes-by the end of the year. As an additional incentive, any qualifying worker hired under this initiative that the employer keeps on payroll for a continuous 52 weeks, the employer is eligible for an additional non-refundable tax credit of up to \$1,000 after the 52-week threshold is reached. The credit will be taken on their 2011 tax return. In order to be eligible, the employee's pay in the second 26-week period must be at least 80% of the pay in the first 26-week period.

Extension of enhanced small business expensing under IRS Code Section 179. The one year extension is the same dollar limits in effect for 2008 and 2009. A practice may expense qualifying fixed assets up to a maximum of \$250,000 with the dollar to dollar phase out starting at \$800,000.

Timeline of Tax Changes in Health Care Reform Legislation

Tax Changes Taking Effect in 2010

- Small Employer Health Insurance Credit (*see article below*)
- Expanded Dependent Coverage in Employer Health Plans

Tax Changes Taking Effect in 2011

- W-2 must include cost of Employer-Provided Health Insurance
- Small Employers may establish "Simple Cafeteria Plans"

For the timeline of tax changes in the Health Care Reform Legislation for years after 2011, please click on the following link: [Timeline of Tax Changes in Health Care Reform Legislation](#)

Health Care Reform Legislation - Will

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$3,960
2nd Tax Year	\$4,900
3rd Tax Year	\$2,950
Thereafter	\$1,775

Qualified Trucks and Vans

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$3,160
2nd Tax Year	\$5,100
3rd Tax Year	\$3,050
Thereafter	\$1,875

Tips For A Faster Individual Tax Return

For all of those who are still on Extension-Complete the Tax Organizer and send all of the followings documents:

- W-2s
- Bank & Brokerage 1099s
- Settlement Stmt's for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

Frequently Asked Questions?

Where is my IRS refund?
click below:
IRS Refund Status

Your Practice Save or Pay Taxes?

For owners of small practices and their employees, the recently enacted health reform legislation has some key provisions to pay attention to. The major ones include: tax credits; excise taxes; and penalties but whether a practice will be affected by them depends on a variety of factors, such as the number of employees the practice has.

The good news is the **small employer tax credits start in 2010**. The better news is the penalty in the form of an **excise tax starts after 12/31/13 and probably does not apply to your practice**.

Below is a summary of the new tax provisions which will have the biggest impact on your practice. (For a more detailed overview please click on the following link: [Small Business Health Care Reform Legislation](#))

The new law provides small employers with a tax credit (i.e., a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees. The credit can offset an employer's regular tax or its alternative minimum tax (AMT) liability.

Small business employers eligible for the credit:

Qualifications - your practice must do **ALL** of the following:

- Offer health insurance to its employees as part of their compensation
- contribute at least half the total premium cost
- have no more than 25 full-time equivalent employees ("FTEs")
- employees must have annual full-time equivalent wages that average no more than \$50,000

Limits -

- Full amount of the credit is available only to an employer with 10 or fewer FTEs
- employees that have an average annual FTEs from the employer of less than \$25,000

Years the credit is available:

- 1st Phase - 2010, 2011, 2012 or 2013
- 2nd Phase - potentially qualify for 2014 & 2015

Calculating the amount of the credit:

- 1st Phase - credit is generally 35% of employer's nonelective contributions toward toward the employees' health insurance premiums
- 2nd Phase - credit is generally 50% of employer's nonelective contributions toward toward the employees' health insurance premiums
- credit phases out as practice size & average wages increase

What is the standard business mileage rate for 2010? 50 cents

What is the long-term capital gain rate for 2010? 15%

Is Long-Term Care Insurance tax deductible? Yes.

Generally treated the same as accident and health insurance.

Unreimbursed expenses and insurance premiums paid for long-term care (within limits) are deductible as medical expenses.

If paid by SE person, the premiums (*subject to limits below*) are eligible for the SE Health Insurance deduction.

If paid by employer, tax-free benefit to the employee.

Limits on deductions for LT Care Insurance Premiums:

Age 40 and under	\$320
Age 41 - 50	\$600
Age 51 - 60	\$1,190
Age 61 - 70	\$3,180
Age 71 and over	\$3,980

2010 Phase-Out Levels

Itemized Deductions

The income limit on itemized deductions is repealed for 2010

- credit claimed on employer's annual income tax return - IRS to provide further information

Special rules:

- Employer entitled to ordinary business expense deduction equal to the amount of employer contribution minus dollar amount of credit
- Self-employed individual, including partners and sole proprietors, 2% shareholders of an S-Corp. & 5% owners of employer are not treated as employees for purposes of credit
- no credit available for any individual not taken into account in determining the number of full-time equivalent employees or average full-time equivalent wages

For additional information about the Small Business Health Care Tax Credit please click on IRS link below:

[Small Business Health Care Tax Credit: Frequently Asked Questions](#)

Employer Requirement to Offer Health Coverage - Excise Tax & Penalties:

The new tax law imposes penalties in the form of an excise tax on certain businesses for not providing coverage to their employees. Most of your practices will not have to worry about this tax provision because employers with fewer than 50 employees are not subject to the penalty. For businesses with at least 50 employees, the possible penalties vary depending on whether or not the employer offers health insurance to its employees. If the business does not offer coverage and it has at least one full-time employee who receives a premium tax credit, the business will be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment. These provisions take effect Jan. 1, 2014.

For additional information about the Employer Requirement to Offer Health Coverage please click on link below:

[Employer Requirement to Offer Health Coverage](#)

Market Outlook - June 2010

By: David Borden, Principle of CCR Wealth Management, LLC

As we write this article, stocks are off some 12.5% from their April 26th highs (as measured by the S&P 500). As investors ourselves, we share the nauseating feeling with our clients at seeing recent 200, 300, and 700 point intra-day drops in the Dow-we've been here before, only too recently. However, as investment professionals, believe it or not we are somewhat *relieved* to finally see a meaningful correction of what has been an eleven month, virtually un-interrupted 70% climb for the US markets from their March 2009 lows.

To be sure, Europe's many woes have, and will continue to have a global impact-and as we are all global investors

Personal Exemption

The income phase-out of personal exemptions is eliminated for 2010

Child Tax Credit

Single/Head of Household
Starts at \$75,000

Married Filing Joint
Starts at \$110,000

Married Filing Separate
Starts \$55,000

IRA Deductibility

Single/Head of Household
\$56,000 - \$66,000

Married Filing Joint
\$89,000 - \$109,000

Married Filing Separate
\$0 - \$10,000

When Spouse has
company pension
\$167,000 - \$177,000

Roth IRA Eligibility

Single/Head of Household
\$105,000 - \$120,000

Married Filing Joint
\$167,000 - \$177,000

Married Filing Separate
\$0 - \$10,000

Conversion of traditional
IRA to a Roth IRA
No income limit

Education Savings Account

Single/Head of Household
\$95,000 - \$110,000

Married Filing Joint
\$190,000 - \$220,000

today, precise care must be taken in examining asset allocations and hedging strategies. Never-the-less, watching crises unfold on distant shores this time affords us the opportunity to dissect their implications in a more orderly fashion than the events we were presented with merely 24 months ago did.

In the shorter term, we suggest investors investigate and examine the reality and viability of the European economic model (in all aspects). Short term, the primary implications revolve around the viability of its nascent currency, the Euro. Currently used by 16 countries of the European Union, the Euro was purported to be a major, credible counter-balance to the Dollar. However, as we are seeing, 16 different countries, with 16 different budgets, deficits, legislative bodies, and in reality, 16 different sovereign interests hardly present unified confidence to back this currency (Greece lied about its budget deficit; Spain? Portugal?). While hedging on the currency, we would, however, remind investors that large, global equity concerns in Europe will at least reap some earnings concessions from a devalued euro.

Longer term, we can only reiterate our confidence in the emerging markets investment category, and today's volatility is viewed by us as an opportunity. As the economies of China, Brazil and India (to name a few) develop, they stand in stark contrast to the Developed World's quagmire of burdensome social policies, and declining demographics. In fact, from a fiscal perspective, these are some of the "cleanest" balance sheets in the world today. To be sure, as wealth develops in these countries they are planning many of the social safety-networks we take for granted. However, they are decades away, and their populations (growth drivers) remain young. Consumer empowerment in these countries is only growing, while at home, consumerism has run into some likely long-term hurdles.

Yes, we expect continued volatility in emerging markets equity and debt assets, but with bright horizons 5, 10, 20 years hence. In contrast, American and particularly European populations are aging and retiring-with fewer and fewer workers available to provide the tax revenues to pay for expensive and elaborate social security, medical care and pension systems.

We invite you to contact CCR Wealth Management to learn more.

CCR Wealth Management is an independent investment advisory and financial planning firm serving high-net-worth families and practices in the greater New England area. We specialize in investment planning which is driven by an individualized financial plan, and further coordinated with our clients' estate planning components. Additional information can

Married Filing Separate
\$95,000 - \$110,000

**American Opportunity
(HOPE) Credit**

Single/Head of Household
\$80,000 - \$90,000

Married Filing Joint
\$160,000 - \$180,000

Married Filing Separate
\$0

Lifetime Learning Credit

Single/Head of Household
\$50,000 - \$60,000

Married Filing Joint
\$100,000 - \$120,000

Married Filing Separate
\$0

**Education Loan Interest
Deduction**

Single/Head of Household
\$60,000 - \$75,000

Married Filing Joint
\$120,000 - \$150,000

Married Filing Separate
\$0

**College Savings Bond
Interest Exclusion**

Single/Head of Household
\$70,100 - \$85,100

Married Filing Joint
\$105,100 - \$135,100

Married Filing Separate
\$0

Quick Links

be found at <http://www.ccrwealth.com>.

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**MassHealth Benefits and Health Safety
Net Copayments**

Due to recent law changes there will be several changes to MassHealth and Health Safety Net (HSN) benefits.

Adult Dental:

Effective July 1, 2010, dental benefits will change for all MassHealth members aged 21 and older, except for those members who have been determined by the Department of Developmental Services (DDS) to be eligible for DDS services.

**MassHealth Members Aged 21 and Older (who are
not DDS-eligible individuals)**

Effective July 1, 2010, MassHealth will cover only the following dental services:

- *diagnostic services (exams and X-rays);*
- *preventive services (cleanings);*
- *extractions (removing teeth);*
- *emergency care visits; and*
- *some oral surgery, such as biopsies and soft-tissue surgery.*

This means that, effective July 1, 2010, MassHealth will no longer pay for the following services:

- *restorative (fillings);*
- *endodontic (root canal);*
- *periodontic (deep scaling);*
- *crowns;*
- *dentures (full, partial, or repair); and*
- *surgical procedures related to full or partial dentures.*

There will be no change in dental benefits for MassHealth members under age 21 and for DDS-eligible individuals

**Latest News & Events
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regardless of age.

**For the full article regarding the MassHealth Benefit changes
please click on the link below:**

[MassHealth Benefit Changes](#)

2010 Tax Numbers

	2009	2010
Annual Ret. Plan Participant Comp. Limit	\$245,000	\$245,000
Ann. Def. Contrib. Plan Part. Dollar Limit	49,000	49,000
401(k) Employee Elective Deferral Limit	16,500	16,500
401(k) Catch-Up Contrib. Age 50 & Over	5,500	5,500
SIMPLE Plan Employee Elective Def. Limit	11,500	11,500
SIMPLE Plan Catch-Up Contr. Age 50 & Over	2,500	2,500
IRA (Roth & Traditional) Contribution Limit	5,000	5,000
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	1.0M	1.0M
Federal Lifetime Estate Tax Exclusion	3.5M	Unlimited
Maximum Federal Estate Tax Rate	45%	0%
Maximum Federal Gift Tax Rate	45%	35%
Annual Gift Tax Exclusion Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	250,000	250,000
Social Security Taxable Wage Base	106,800	106,800
Medicare Taxable Wage Base	Unlimited	Unlimited
Standard Deduction (Single)	5,700	5,700
Standard Deduction (Married Filing Jointly)	11,400	11,400
Personal Exemption	3,650	3,650

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