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# TaxScriptions

"A Prescription For Tax Relief"



Volume II Issue III

## Featured Articles

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### Looking to Cut Expenses?

**Have you had your credit card merchant fees analyzed yet?**

Rosen & Associates, LLP has been able to save our clients thousands of dollars in merchant fees by having them analyzed? Are your rates as low as possible?

For more information please contact your Account Manager or call Mark Rosen at 508-926-2400.

## Important Tax Dates & Deadlines:

**December 31, 2010:**

### Individuals:

4th quarter state estimated tax payment due (if not subject to AMT)

## UPCOMING EVENTS

### YANKEE DENTAL CONGRESS

January 27 - 29, 2011

*Please come by and see us at **booth 717** to say hello and pick up the latest "**See How You Compare**" booklet (and a candy bar).*

*We will also have a "satellite" booth this year within Henry Schein's booth at **booth 2230**.*

*Larry S. Rosen, CPA, MBA will be speaking with Peter Goldberg of Henry Schein on "Protecting Your Equity" at 10:30 am - 12:30 pm on Thursday, January 27th.*

*Mark B. Rosen, CPA, CFP(R) will be participating on a panel on Thursday, Friday and Saturday, January 27-29, from 3:00 - 4:00 pm on "Experts Bringing Equipment, Technology, and Ideas to You and Your Dental Practice" with Henry Schein.*

*Mark will also be speaking on Saturday, January 29th from 8:00 am - 11:00 am on "Creating the Practice of Your Dreams" with Jeff Hoepf of Bank of America.*

## Comments from the Corner Office

The midterm elections have changed the Congressional landscape, with the Republicans winning control of the House of Representatives as well as picking up seats in the Senate. Since returning in November, the "Lame-Duck" Congress has tried to address the various tax provisions that will expire December 31, 2010. One such attempt was the

### January 18, 2011:

#### **Individuals:**

4th quarter estimated tax payments due for federal and state ([if subject to AMT](#))

### January 31, 2011:

#### **Businesses:**

4th quarter payroll returns due (Forms 940 and 941)  
W-2s need to be distributed to employees

1099 MISC furnished to recipients

### February 15, 2011:

#### **Businesses:**

Last day for filing W-4 by employees who wish to claim exemption from withholdings

### February 28, 2011:

#### **Businesses:**

File W-2's with Social Security Administration

File Annual 1099's with IRS

### March 15, 2011:

#### **Businesses:**

S-Corp Election Decision Due

File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A)

OR

Corporate Extension Due (Form 7004)

### April 15, 2011:

#### **Individuals:**

File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ)

proposed bill, the "Middle Class Tax Relief Act of 2010", which was approved by the House on December 2nd.

However, on December 9th a new bill was proposed and it appears the latest compromise will become law the "**2010 Tax Relief Act**" ([click link for the full details](#)). The House voted 277-148 late Dec. 16 on a \$859 billion bill to extend the 2001 and 2003 tax cuts for two years and set the estate tax at 35 percent through 2012. (*For highlights of the tax provisions with in the bill see the 2010 Tax Relief article below*).

**The legislation (H.R. 4853), which passed the Senate by a vote of 81-19 on Dec. 15th, will now head to President Obama for his signature.**

Like this time last year, we have again compiled some tax planning items that may help you save on taxes if you act before December 31<sup>st</sup>. Not all items will apply to your particular situation, but you (or a family member) will likely benefit from many of them.

Please review the 2010 Year End Tax Planning article below and contact us as soon as possible so that we can advise you on which specific tax-saving moves to make based on your tax situation.

*Larry S. Rosen, CPA, MBA*

Managing Partner of Rosen & Associates, LLP

## **2010 Tax Relief Act**

### **Highlights:**

- The income tax rates for individuals stay at 10%, 15%, 25%, 28%, 33% and 35% (instead of moving to 15%, 28%, 31%, 36% and 39.6%)
- 2% temporary employee social security tax cut (4.2% instead of 6.2%)
- AMT Patch for Two Years, 2010 AMT - \$72,450 MFJ, \$47,450 Single, \$36,225 MFS
- 2011 AMT - \$74,450 MFJ, \$48,450 Single, \$37,225 MFS
- The standard deduction for married taxpayers filing jointly (and qualified surviving spouses) remains at 200% (rather than 167%) of the standard deduction for single taxpayers
- 15% tax bracket for joint filers and qualified surviving spouses remains at 200% (instead of dropping to 167%) of 15% tax bracket for individual filers
- Itemized deductions of higher-income taxpayers are not reduced (after 2010 they would have been reduced by 3% of AGI above an inflation-adjusted figure, but the reduction couldn't exceed 80%)

OR

Individual Extension Due (Form 4868)

First Installment of Individual Estimated Tax Due (Form 1040-ES)

Last day to file Form 1040X Amended Individual Tax Return for the 3rd preceding tax year

**Estates and Trusts:**

File Fiduciary Tax Return (Form 1041)

OR

Fiduciary Extension Due (Form 7004)

Last day to file an Amended Fiduciary Tax Return for the 3rd preceding tax year

**Businesses:**

File Partnership Income Tax Return (Form 1065)

OR

Partnership Extension Due (Form 7004)

Last day to file an Amended Partnership Tax Return for the 3rd preceding tax year

**April 30, 2011**

**Businesses:**

1st quarter payroll returns due (Form 941)

1st quarter sales tax returns due

**2010 Auto/Truck Depreciation Limits with Bonus Rules**

Qualified Passenger Autos

- A higher-income taxpayer's personal exemptions are not phased out when AGI exceeds an inflation-adjusted threshold (they would have been after 2010)
- Thru 12/31/12 long-term capital gain will continue to be taxed at a maximum rate of 15% (instead of 20% (18% for assets held more than five years))
- Qualified dividends paid to individuals will be taxed at the same rates as long-term capital gains (instead of being taxed at the same rates that apply to ordinary income)
- Estate & Gift Exemption will be \$5 million and the top tax rate for Estate, Gift and GST taxes will be 35%
- 100% bonus first-year depreciation allowance under Code Sec. 168(k) for property acquired and placed in service after 9/8/10, and before 1/1/12
- 50% bonus first-year depreciation allowance under Code Sec. 168(k) for property placed in service after 12/31/11, and before 1/1/13
- For tax years beginning after Dec. 31, 2011, setting the maximum expensing amount under Code Sec. 179 at \$125,000 and the investment-based phaseout amount at \$500,000

**2 Year Extension for the following:**

- research credit
- the new markets tax credit
- the work opportunity tax credit
- the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes
- \$250 above the line deduction for certain expenses of elementary and secondary school teachers
- the above-the-line deduction for qualified tuition and related expenses

There are additional tax provisions that are affected so for more information please click on the following link: "[2010 Tax Relief Act](#)".

**2010 Year End Tax Planning**

**Individuals:**

- Maximize Retirement!
- Prepay expenses (including your mortgage) and delay receiving income
- Before 12/31/10 make energy saving improvements to your main home to qualify for a 30% tax credit (the total amount of credit that can be claimed in 2009 and 2010 is \$1,500)
- Realize losses on stock while substantially preserving your investment position - (for article click the following link) "[Careful handling of Capital Gains and Losses Can Save Taxes](#)"

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,060
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	\$11,160
2nd Tax Year	\$5,100
3rd Tax Year	\$3,050
Thereafter	\$1,875

## Tips For A Faster Individual Tax Return

Complete the Tax Organizer and send all of the followings documents:

- 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?

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

**What is the standard business mileage rate for 2011?** 51 cents

- To reduce or eliminate estimated tax penalties - increase your withholdings from wages or an eligible rollover distribution from a qualified retirement plan - (for article click the following link) "[How Increased Withholding May Avoid an Estimated Tax Penalty](#)"
- Possibly convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries - (for article click the following link) "[2010 IRA to Roth IRA Conversions Rules](#)"
- Take required minimum distributions (RMD) from your IRA or 401(k) plan (or other employer-sponsored retired plan) if you have reached age 70 1/2. **Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn.** A temporary tax law change waived the RMD requirement for 2009 only, but the usual withdrawal rules apply full force for 2010
- Make annual exclusion gifts before year end to save gift tax (and estate tax if it is reinstated). You can give \$13,000 in 2010 or 2011 to an unlimited number of individuals free of gift tax
- Gift appreciated stock to charity

#### Businesses:

- **For 2011, Rental Real Estate Entities will need to issue Form 1099-MISC to service providers**
- **Rental Real Estate Entities should obtain Employer Identification Numbers (How to Apply for an EIN click on the following link "[EIN](#)") as well as have service providers fill out Form [W-9](#) (click on [W-9](#) for link to Form)**
- Purchase and place business equipment and machinery into service year end to qualify for a Section 179 deduction which increased for 2010 and 2011 to \$500,000
- Purchase and place **new** business equipment and machinery into service before 12/31/10 to qualify for 50% bonus first-year depreciation allowance (expires 2010)
- Set up a self-employed retirement plan if you are self-employed and haven't done so yet
- Put your children on the payroll
- Hire a worker who has been unemployed for at least 60 days before year end if you are thinking of adding to payroll soon. Your business will be exempt from paying the employer's 6.2% share of the Social Security payroll tax on the formerly unemployed new-hire for the remainder of 2010. Plus, if you keep that formerly unemployed new-hire on the payroll for a continuous 52 weeks, your business will be eligible for a nonrefundable tax credit of up-to-\$1,000 after the 52-week threshold is reached. This credit will be taken on the business's 2011 tax return. In order to be eligible, the formerly unemployed new-hire's pay in the second 26-week

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

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period must be at least 80% of the pay in the first 26-week period.

- Consider using a credit card to prepay business expenses that can generate deductions for this year

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you.

## **2010 Market Update**

*By: John Maher, Financial Consultant, CCR Wealth Management, LLC*

As we approach the end of another calendar year, we reflect not just on the events and developments of 2010, but on the decade that this month concludes. We think it's an opportune moment to deliberately step back from the trees, and to view the forest. Doing so, in some ways, offers a mental respite from what has seemingly been a fast-paced cacophony of micro-financial, economic and political shrapnel for the last thirty months or so. Stepping back also allows us to check our direction, and re-assess our expectations of the terrain ahead.

This decade was ushered in during a period of historic US economic growth. The optimism we felt ten years ago, in 2000, was driven of course by the explosion in technological advancement and productivity of the previous decade, and was given a name; the "New Paradigm". Crude oil ten years ago averaged \$27 per barrel; unemployment was under 4%; 401(k)s and investment accounts were fat, and the American consumer was snapping up every new electronic gadget, laptop and SUV that hit the market.

Two recessions later, with unemployment roughly 3 times the average of 2000 and an economy stuck in the mud, we think it is important to understand that the biggest long-term challenge for today's investors has to do with "de-leveraging", and how to calibrate domestic and global economic expectations as a result. Again-here it is easy to miss the bigger picture (the forest) due to incessant media coverage of micro-financial and economic details (the trees). The US consumer is often referred to as the backbone of the economy, accounting for some 2/3 of our economic output. But this growth output from the consumer has increasingly been generated through the use of steadily escalating levels of debt-not just for the last 10 years, but *for the last 30 years!* Since the first magnetic strip was attached to a credit card in the 1970's, consumers and financiers have found ever more ways to purchase goods and services, thereby financing a standard of living that has funded the economy of not just America-but of most of the developed world!

Bond guru Bill Gross used the term "New Normal" over a year ago to describe the current-era investment environment. We would have our clients adopt and adapt this term to current-era economic conditions across the developed economies of

the world, as we think the "de-leveraging" process is not something that will take a couple of years-but possibly a decade or more. Many today claim that "banks just aren't lending"-or they are aghast at the process of getting a mortgage or refinancing a home. This, to us, is the New Normal-which is to say, it's really the "old normal", as easy credit is likely gone for a prolonged period of time.

In contrast to this prolonged economic contraction in the West, we again suggest to our clients they focus attention in the decade ahead on where the organic economic growth *actually is*, looking to the (far) East, and to the South.

The views are those of CCR Wealth Management LLC and should not be construed as specific investment advice. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Investors cannot directly invest in indices. Past performances does not guarantee future results. Securities offered through Multi-Financial Securities Corporation. Registered Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, CCR Wealth Management, LLC. Registered Investment Advisor. Multi-Financial Securities Corporation and CCR Wealth Management, LLC are not affiliated companies. Additional information can be found at <http://www.ccrwealth.com>.

## 2010 & 2011 Tax Numbers

	<u>2010</u>	<u>2011</u>
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	5.0M
Federal Lifetime Estate Tax Exclusion	3.5M	5.0M
Maximum Federal Estate Tax Rate	45%	35%
Maximum Federal Gift Tax Rate	45%	35%
Annual Gift Tax Exclusion Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	500,000	500,000
Social Security Taxable Wage Base	106,800	106,800
Standard Deduction (Single)	5,700	5,800
Standard Deduction (Married Filing Jointly)	11,400	11,600

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