

August 16, 2010

Issue 2010-18

ExacNews

Exactax Client:

Attendance has been strong at all of our summer e-file workshops and we would like to thank everyone who participated. Getting an early start and understanding the process will make your e-file learning curve much shorter. A final e-file workshop, #206, has been added in Anaheim on August 25, from 8:30 – 12:30 PM and there are plenty of spots still available. Please contact Customer Support to make a reservation.

Note: If you are unable to attend a workshop and would like a workshop packet, these are available on request from Customer Support.

Operating Hours

Regular hours are 8:30 – 5:00, Monday through Thursday.

▶ **Exactax will be closed on Fridays through September 17th.**

Exactax will also be closed on Labor Day - Monday, September 6.

Batch Renewals

Batch renewal forms will be mailed during the August/September timeframe.

Year End Tax Newsletters

We have received several requests for the year-end tax newsletters to be made available earlier so they can be mailed before Thanksgiving; and we agree. To accommodate this change, the 2010 newsletter order form must be cut-off earlier and returned earlier. The order form will contain all new clients processed through October 1 plus all proforma clients, whether processed or not. For new clients processed after October 1, you can order non-personalized newsletters at any time. Non-personalized items will still contain all of your firm information.

New This Year: A black and white version of the tax newsletter, printed on lighter-weight stock will be available at a reduced price. While not as sexy as the full color version, it will still allow you to maintain a professional-looking contact with your valuable client base and let them know you are thinking of them.

Holiday Cards Discontinued

We regret to announce that due to declining participation the personalized holiday card/calendar product has been discontinued.

Billing Queries and Reminders

When requesting adjustments to your billing, state the reason in the comment section of your remittance and submit it with your payment. Any problems or questions regarding billing queries may also be faxed directly to the Accounting Department at 714-999-6566. Requests for credit must be made in writing.

Senate To Vote On Small Business Tax Bill After August Recess

The following are just some of the highlights from the proposed Senate bill to be voted on shortly:

Extended Bonus Depreciation: The Senate bill extends, through December 31, 2010, 50-percent first-year bonus depreciation that had expired at the end of 2009. The extension is retroactive to January 1, 2010. The current House bill does not include a similar provision.

Increased Code Sec. 179 Expensing: For 2011, the expensing limit is scheduled to revert to prior levels of \$25,000 and \$200,000, respectively, indexed for inflation. The Senate bill increases the maximum deduction to \$500,000 and the investment limit to \$2 million for tax years beginning in 2010 and 2011. The House bill does not include a similar provision

Cell Phones: The Senate bill removes cell phones and similar personal communication devices from their current classification as listed property, thereby lifting the strict substantiation requirements of use and the additional limits placed on depreciation deductions. In addition, the provision would enable the fair market value of personal use of a cell phone or other similar device provided to an employee predominantly for business purposes to be excluded from gross income. The House bill does not include a similar provision.

Enhanced Start-Up Deduction: Under current law, taxpayers may generally immediately deduct up to \$5,000 in qualified trade or business start-up expenses. The \$5,000 deduction is reduced (but not below zero) by the amount of the taxpayer's total start-up costs that exceed \$50,000. The Senate bill raises the deduction limit to \$10,000 and increases the phase-out threshold to \$60,000 for one year, 2010. The House bill raises the deduction limit from \$5,000 to \$20,000 and increases the threshold amount from \$50,000 to \$75,000 for tax years beginning in 2010 and 2011.

FICA Taxes On Self-Employment Income: In determining net income from the trade or business for income taxes, a self-employed individual can take a business deduction for health insurance costs paid for the individual and his or her immediate family. However, in determining the self-employment income subject to FICA taxes, the self-employed individual cannot deduct any health insurance costs. The Senate bill provides a one-year window in 2010 for a self-employed individual to deduct his or her own health insurance costs from FICA self-employment income.

Retirement Savings Incentives: The Senate bill authorizes 401(k), 403(b) and 457 governmental plans to allow participants to roll over pre-tax account balances into a Roth account. The rollover would be taxable, except for any after-tax contributions. The provision would take effect immediately upon enactment. If an amount is rolled over in 2010, the amount is included ratably in income over a two-tax year period beginning with the first tax year beginning in 2011 unless the taxpayer elects otherwise.

Rental Expense Payment Information Reporting: The Senate bill requires qualified individuals receiving rental income from real property to file information returns with the IRS and to service providers reporting payments of \$600 or more during the year for rental property expenses. The new information reporting requirement would apply to payments made after December 31, 2010.

Increased Information Return Penalties: The Senate bill substantially increases the penalties for failing to timely file information returns with the IRS:

- First-tier penalties (filing an information return after the filing deadline but not more than 30 days after the due date) would increase from \$15 to \$30. The calendar year maximum would increase from \$75,000 to \$250,000.
- Second-tier penalties (filing an information return more than 30 days after it is due but before August 1) would increase from \$30 to \$60, and the calendar year maximum would increase from \$150,000 to \$500,000.
- Third-tier penalties (for failing to file before August 1) would increase from \$50 to \$100, and the calendar year maximum would increase from \$250,000 to \$1.5 million.

■