



## ROXANNE'S TAX SERVICE QUARTERLY NEWSLETTER - INTERIM

I just attended a two-day long advanced tax training seminar and wanted to give all of you the highlights that I heard about. The majority of these changes are for those of us who are small business owners, but there is a little here that is useful for everybody. The big issues concerned the new healthcare plan, and the more we found out, the more I hope that this does not become an issue in 2014 because it looks like it's pretty unfair to everyone. On with the updates.

### Small Business Owners

Cell phones are no longer considered fringe benefits. This is great news. We don't have to worry about separating out business and personal use anymore. If you use your cells for business use, make sure you get these expenses on your spreadsheets as well. I'd hate for you to lose a potential \$1000 or more expense because we forgot about it. This law came into effect on 1 January 2010. Don't feel bad – in the hustle and bustle of my life, I forgot about this deduction, so I went back and calculated my cell phone into my expenses.

Part of the healthcare act – all small businesses, including recipients of rental income from real estate, will be required to prepare 1099s for payments we make amounting to over \$600 to anyone – think gas station payments for our gas per year, tires, office supplies, etc. It doesn't matter that you use different vendors – if they're part of the same gas company, you get to prep the 1099. This goes into effect 1 January 2012 – all I can say is most of us accountants and tax attorneys were groaning at this as well because this is a no-win for those of us who prepare taxes and those of us who have to attempt to keep track of this. However, if you pay these expenses via credit card, the credit card companies will be required to do prepare the 1099s rather than us. Hopefully the new Congress will realize that this is bad for everyone and will either make the amounts higher or get rid of this altogether.

Effective this year, small businesses with less than 25 employees are highly encouraged to buy health insurance for their employees. It's available for any tax year between 2010-2013. However, the requirements are that you have no more than 25 full-time employees, that the average annual wages cannot exceed \$50,000, and that the employer pays at least 50% of the premium cost. The employer, partners, or any person who owns more than 5% of the business, however, does not count as an employee. In other words, this is a convoluted part of the law, so please contact me with any questions.

Churches are entitled to health insurance credits for the ministers they pay health insurance for; however, the church has to file a W-2 to the minister and do federal tax withholding. The church will get 25% of the cost of the health insurance to the minister back.

The new mileage deduction rates have not been published. As soon as I know what the mileage rates are, I'll let all of you know.

Self-employed individuals can now deduct the cost of health insurance for themselves, their spouses, dependents, and children who have not attained age 27 at the end of the taxable year from their self-employment taxes. However, it's only effective for the taxpayer's first taxable year beginning after December 31, 2009, so this law is only good for 2010. If you've provided your own health insurance, though, make sure I know about it so I can deduct it properly.

### Tax Preparers

Okay, I know you guys hire me. However, there are now penalties for us tax preparers that don't e-file. Because of this, unless there's absolutely no way I can e-file your tax return because of reject errors, 100% of all tax returns will be e-filed. The IRS will be enforcing this for all paid preparers.

### Estate Planning

As many of you are aware, 2010 was the year to die because there was no estate tax at all. However, effective 1 January 2011, the entire estate planning law is repealed. This means that if someone dies in your family and you have significant gains in either stock or a home, you should use the alternate valuation method and/or sell the property in 2011. That way you'll get the stepped-up basis of the property upon the decedent's death, thereby avoiding significant capital gains tax. Obviously, for questions, give me a call.

Also, because the estate tax laws are repealed 1 January 2011, there has been a fear that the estate tax will go back to the \$1,000,000 limit and that a 55% tax rate will be assessed. However, the instructors at the tax school believe that the deductible limit will be \$3,500,000 and that there will be a 45% tax rate on estates. There's no real news on this – as soon as I know anything, I'll let you know.

For those of you with trusts, any trust assets that have a title or a deed need to be registered in the name of the trust. Otherwise, the property is not considered to be a trust asset, thereby making it part of the taxable estate. This means that this particular property would be included for Medicaid determinations and will give you no creditor protection. If you prepare a trust, make sure you retitle your assets.

I obviously didn't go into all of the healthcare law issues because many of them are phased in, and most don't go into effect until 2014. If you would like to discuss what the law says and how it may apply to you in 4 years, please feel free to call me at 618-558-2583 or e-mail me at [Roxanne.murek@gmail.com](mailto:Roxanne.murek@gmail.com). However, my answers will be hypothetical as I don't know what the future brings. Enjoy your holidays, and see you in a couple of months.