Cirimelli, Pyle & Associates LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – January 2010

Major Tax Deadlines
For January 2010

* January 15 - Final 2009 individual estimated tax payment is due, unless 2009 tax return is filed and taxes are paid in full by February 1, 2010.

The following deadlines would normally fall on January 31. Because January 31, 2010, is a Sunday, the deadline moves to the next business day, which is February 1.

* February 1 - Employers must provide 2009 W-2 statements to employees.

* February 1 - Payers must provide 2009 Form 1099s to payees. (Brokers have until February 16 to provide Form 1099-B and consolidated statements to customers.)

* February 1 - Employers must generally file Form 941 for the fourth quarter of 2009 and pay any tax due.

* February 1 - Employers must generally file 2009 federal unemployment tax returns and pay any tax due.

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

IRS releases adjusted tax numbers for 2010
Every year the IRS adjusts certain tax numbers as required by law. Here are three that might affect your 2010 tax planning.

* Mileage rates. Effective January 1, 2010, the standard mileage rate for business driving is 50 cents a mile, down from the 2009 rate of 55 cents a mile. Taxpayers who drive for medical services or in a job-related move may use a mileage rate of 16.5 cents a mile. That's down from the 2009 rate of 24 cents a mile. The mileage rate for charitable driving is not adjusted annually and remains at 14 cents a mile.

* Health savings accounts. The 2010 limit for deductible contributions to a health savings account (HSA) is set at $3,050 for individuals and $6,150 for family coverage. Individuals who are 55 or older may contribute an additional $1,000.

* The interest rates on tax overpayments and underpayments for the first quarter of 2010 remain the same as they were for the fourth quarter of 2009. The rates are 4% for overpayments and underpayments by individuals. Corporations will pay 4% on underpayments and receive 3% on overpayments. On large corporate underpayments, the interest rate is 6%; the rate paid on large corporate overpayments is 1.5%.

Not everyone has to file a 2009 income tax return
Strange as it may seem, the IRS doesn't want everybody to file an income tax return. The reason is simple: Processing tax returns takes time and money. The IRS doesn't want to use its resources handling returns that weren't necessary in the first place.
Who should file a return? The rules for filing 2009 tax returns are straightforward for most people.

* Single taxpayers (including those who are divorced or legally separated): If you're under 65 and had gross income of at least $9,350 in 2009, you must file. If you're 65 or older, the cutoff is $10,750.

* "Head of household" taxpayers (generally, unmarried people who provide a home to a child or other dependent): If you're under 65 and had income of at least $12,000, you'll need to file. If you're 65 or older, the cutoff is $13,400.

* Married taxpayers filing jointly: Filing is required if both spouses are under 65 and income is at least $18,700. If one spouse is 65 or older, the cutoff is $19,800. If both spouses are 65 or older, gross income must be at least $20,900 to require filing. If you were married but not living with your spouse at the end of 2009, filing is required if you have income of $3,650 or more, regardless of your age.

* Married taxpayers filing separately: If you made at least $3,650, you must file, regardless of your age.

Different IRS rules govern filing for certain widows and widowers, dependents, those who owe special taxes (e.g., self-employment tax), children under age 19, and aliens.
It's worth looking into your filing requirements. This year you may not have to file at all. If you have a refund coming, you will want to file regardless of your income level. If you need more information or assistance with tax filing, please call our office.

New Business

Business mileage rate lowered for 2010

Companies that don't want to keep track of the actual costs of using a vehicle for business purposes may use a standard mileage rate instead. An annual study of the fixed and variable costs of operating an automobile is used to determine what the standard mileage rate will be for a given year. Due mainly to lower fuel costs, the mileage rate for business driving drops in 2010 to 50 cents a mile, down from the 2009 rate of 55 cents a mile. The rate can be used for cars, vans, pickups, and panel trucks.

In addition to the mileage rate, a separate deduction may be claimed for parking fees, tolls, interest relating to the purchase of the automobile, and state and local personal property taxes.

The standard business mileage rate can't be used for automobiles used for hire (e.g., taxicabs) or for fleets of automobiles used simultaneously by the taxpayer. Nor can the standard rate be used if the vehicle was previously depreciated by other than the straightline method, including using bonus depreciation or the Section 179 deduction.
When the business mileage rate is used, depreciation will be considered to have been allowed at a rate of 23 cents a mile. This depreciation reduces the taxpayer's cost basis in the vehicle.

Does your business have this vital document?

What will happen to your business if you die, retire, or become disabled? If you are the owner of a small business, you need a means for the transfer of that business in the event something happens to you. With a "buy-sell" agreement, you are able to plan for many contingencies over which you would otherwise have little control. A buy-sell agreement should establish a price for the business and the method of succession.

The traditional buy-sell agreement is a contract between the business entity and all the entity's co-owners. The agreement typically covers valuing the business, laying down triggering events that would bring the terms of the contract into effect, and defining the transfer of ownership. There are many advantages in drafting a buy-sell agreement, including the following:

* Provides a framework for dealing with owner disputes - ensures a smooth transition of control and power to the owner's successor.

* Facilitates estate planning objectives - can help minimize certain estate taxes and can be structured to take advantage of favorable redemption rules upon death.

* Fixes value for estate tax purposes - includes a method for valuing ownership interests and establishing a fixed value for purposes of taxing the estate upon its owner's death.

* Forces shareholders to deal with liquidity issues - addresses how a possible buyout would be funded.

* Helps prevent loss of tax benefits - especially for S corporations in which transferred stock could lead to termination of the S election. It can disallow the transfer of shares without the consent of owners.

Something as valuable as the ownership and management of a small business should not be left to chance. The agreement needs to satisfy all parties involved, including the IRS requirements for tax purposes. If you need assistance in drafting a buy-sell agreement or in updating your current buy-sell agreement, please contact us and your attorney.

What's New in Finances

New credit card protections in store this year

The new "Credit Card Accountability, Responsibility and Disclosure Act of 2009" (CARD), which is designed to protect consumers from unfair credit practices, generally takes effect on February 22, 2010. Here's a summary of several key provisions.

* Introductory rates offered by credit card companies must remain in effect for at least one year (six months for promotional offers). Consumers must receive at least 45 days' notice (instead of the current 15 days) before a rate hike. (This provision became effective August 20, 2009.)

* Companies will be required to mail credit card statements at least 21 days before the due date (seven days longer than before).

* Issuers can't raise rates on an existing balance unless you're late by 60 days or more.
* Credit card payments will be applied to debt with the highest interest first. Currently, companies do the opposite.

* Double-billing cycles, the practice of basing finance charges on both the current and previous balance, are banned.

* To reduce "over-the-limit" fees, companies must obtain a cardholder's permission to process transactions above their personal limit.

* Consumers must be notified how long it will take and how much it will cost to eliminate debt through minimum monthly payments.

* Applicants under age 21 won't qualify for a credit card without showing an ability to pay or a co-signer.

* Statements must prominently display fees paid to-date as well as explanations for those fees.

Take five steps if you're looking for a simpler financial life
Managing your finances can be difficult in these complex times. All too often, people become overwhelmed and merely muddle along with scattered investments, poor

recordkeeping, and little or no direction. But you may be able to improve your life and simplify your financial affairs with these five steps.

1. Take stock of your situation. Before you can reduce the clutter, you must figure out exactly what you own. Go through the stacks of your financial papers to list all your holdings. Don't forget to check your safe deposit box, file cabinets, and closet shelves for records of investment accounts, retirement plans, and insurance policies. Locate the latest copy of your will and other estate planning documents.

2. Organize your finances. Once you've assembled the pertinent financial information, divide it into categories. For instance, place all the insurance materials in one folder and retirement account materials in another. Note where the folders will be stored. You can keep track of these records through a spreadsheet, some other software, or a paper ledger if you're not computer-savvy. No matter which method you use, make it a habit to update your status periodically. Otherwise, you'll soon find yourself back in the same state of disorder.

3. Consolidate. Frequently, confusion arises when the same types of accounts are replicated. Apart from the concern for keeping your accounts under the FDIC insurance limit, do you need to maintain multiple accounts at different banks? It's usually more practical to keep all your savings and checking accounts with one bank. Similarly, if you've opened several IRAs with different institutions over the years, you might consolidate them under one provider. This assumes you will have enough flexibility in your investment choices.

4. Streamline broker services. As with your bank and retirement accounts, it may make sense to use only one or two brokerage firms to handle all your investments. If you're concerned about the failure of a single brokerage firm, check the Securities Investment Protection Corporation (SIPC) coverage on various accounts. Transferring your holdings will involve some paperwork, plus you may owe tax resulting from securities sales. Be sure to take the tax consequences into account before you start moving investments around.
5. Review your portfolio. Now that you have a complete financial picture, assess your investment approach. Does the current allocation of assets still meet your needs? Should it be revised to reflect changing conditions or impending retirement? At the very least, finetune the holdings based on your latest objectives and time horizon.
To be effective, simplification requires real commitment. But it can pay off in future benefits.

Take a Break

A matter of names...

Do names matter in the business world? Here are a few name facts.
* Among the 972 male CEOs on the 2009 "Fortune" 1,000 list, 157 are named John, Robert, or James.

* The list includes 32 Richards, 18 Pauls, and 15 Edwards.

* Warren Buffett is the only Warren CEO in the "Fortune" 1,000 list.

* Academic research suggests that uncommon first names, or common first names with unusual spellings, might be detrimental to the individual bearing them.

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