

# SPRING VALLEY BUSINESS SOLUTIONS

## 2010 TAX TALK NEWSLETTER

Dear Client / Taxpayer:

It's hard to believe another year has flown by and it's tax time again. 2010 was a busy year for lawmakers and lots of changes have been made to the tax laws. Our tax professionals at Spring Valley Business Solutions are eager to help you navigate all the new laws and encourage you to call early for an appointment. Call our office at (419) 877-9704 to schedule your appointment now.

### **Highlights of the 2010 tax law changes**

- ❖ Many filers won't be able to file early this year. Because Congress acted so late in 2010 to set 2010's tax rules, the Service is still reprogramming its computers. Refunds will be delayed for millions of filers. **Even though the IRS is not accepting these returns until late February don't wait until then to have your return prepared. We can prepare your return now and then e-file it as soon as the IRS begins acceptance.** IRS says it won't accept returns until mid-Feb., at the earliest, from anyone claiming the following:
  - Taxpayers Claiming Itemized Deductions on Schedule A. Itemized deductions include mortgage interest, charitable deductions, medical and dental expenses as well as state and local taxes. In addition, itemized deductions include the state and local general sales tax deduction that was also extended and which primarily benefits people living in areas without state and local income taxes.
  - Taxpayers Claiming the Higher Education Tuition and Fees Deduction. This deduction for parents and students – covering up to \$4,000 of tuition and fees paid to a post-secondary institution – is claimed on Form 8917. However, the IRS emphasized that there will be no delays for millions of parents and students who claim other education credits, including the American Opportunity Tax Credit extended last month and the Lifetime Learning Credit.
  - Taxpayers Claiming the Educator Expense Deduction. This deduction is for kindergarten through grade 12 educators with out-of-pocket classroom expenses of up to \$250. The educator expense deduction is claimed on Form 1040, Line 23 and Form 1040A, Line 16.
- ❖
- ❖ Taxpayers will have until Monday, April 18 to file their 2010 tax returns and pay any tax due because Emancipation Day, a holiday observed in the District of Columbia, falls this year on Friday, April 15. By law, District of Columbia holidays impact tax deadlines in the same way that federal holidays do; therefore, all taxpayers will have three extra days to file this year. Taxpayers requesting an extension will have until Oct. 17 to file their 2010 tax returns.
- ❖ The standard mileage allowance for business driving inches up for 2011. The rate increases to 51¢ per mile, up 1¢ from 2010. For medical travel and moving, the allowance is 19¢ per mile, a 2½¢ hike. For charitable driving...14¢.
- ❖ Businesses of any size can claim 100% bonus depreciation for new assets put in service this year. Only assets with useful lives of 20 years or less will qualify, including machinery, land improvements and farm buildings. Used assets are eligible for regular expensing, even though they don't get bonus depreciation. Up to \$500,000 can be expensed. This phases out once \$2 million in total assets are put in service. Those Self-employed can no longer deduct their health premiums on Schedule SE.
- ❖ The tax credit for energy saving home improvements is less juicy in 2011. The credit is now just 10%, down from 30%, and the previous \$1,500 ceiling falls to \$500. There also are caps on many

items: No more than \$150 can be claimed for furnaces and water heaters, \$200 for windows and \$300 for biomass fuel stoves. The credit is no longer allowed for payments financed with state or federal subsidies. Credits claimed in prior years, including 2009 and 2010, will count against the \$500. The 30% credit for alternative energy systems, such as solar panels, is not cut back.

- ❖ Monies withdrawn from an H.S.A. that are not spent on qualified medical expenses will face a higher penalty in 2011. The IRS has increased the penalty from 10% to 20%. Over the counter medications are no longer considered a qualified medical expense unless you obtain a doctor's prescription. One exception to the new rule is insulin.
- ❖ Long term capital gain / qualified dividends rates have been extended for two more years. The 0% rate for all taxpayers in the 10 – 15% tax bracket and 15% for all other tax brackets is extended through 12/31/2012.
- ❖ There will be no phase out for itemized deductions / personal exemptions for high incomers through 12/31/2012
- ❖ The additional standard deduction for real property taxes, net disaster losses, and sales tax on new car purchases was NOT extended for 2010.
- ❖ Brokerage firms must now supply cost basis for stock sold by customers. However this rule only applies to stock purchased after 2010. If you sold stock in 2010 you will need to bring in all documents you have relating to the purchase and sale of the stock.

## **NEW TAX PREPARER REGULATIONS**

This year has also brought about changes in the way tax preparers must conduct themselves in preparing your returns. Due to new legislation tax preparers must now register with the IRS and pass a certification test before the end of 2013. In addition each year we must take a certain amount of hours of continuing education. Tax preparers are also more responsible for what goes on your return. What does this mean to you??? Be prepared to be asked to substantiate more expenses, especially business related expenses, which include mileage, meals and entertainment, and charitable contributions. You must keep a log of your mileage that includes beginning and end of year odometer readings. Charitable contributions must be documented by a bank record or written correspondence from the charity with charity name, date, and amount of the contribution. Gifts must be given to a QUALIFIED organization and there are special rules for donations of vehicles, boats, airplanes, stocks, and artwork. In addition, be prepared to answer more questions regarding foreign assets and provide more documentation for children claimed as dependents when the child does not live with both parents.

### **UPDATE YOUR BANK INFORMATION**

**In 2010 some banks changed their names and account information. If you wish to use direct deposit for your 2010 tax refund please provide us with current bank information. In order to reduce errors and eliminate delays we need to verify all bank account info.**

## **WE'VE EXPANDED OUR STAFF**

This year Spring Valley has also undergone several major changes. One of the most notable is that at the end of last tax season our tax preparer extraordinaire, Mary Box, retired after almost 25 years. Mary and hubby will be spending the cold snowy winters in Florida. She will be sadly missed but we wish her lots

of sunshine in her new winter home. In order to continue to take care of our clients and to make a smooth transition for some of you to a new preparer we welcome our new staff.

Amy L. Valiquette-Schultz, CPA Retired, is a graduate of the University of Toledo and has over 40 years experience working in accounting and tax related fields. Amy retired from Exothermics, Inc. in Toledo in 2004 after 18 years as Vice President and Controller. She is a member of the Ohio Society of Public Accountants and volunteers for the Whitehouse Tree Commission. Amy and her husband John have lived in the Waterville – Whitehouse area for over 25 years and Amy is looking forward to working in the Whitehouse community.

Eugene Seiler also has an extensive 30 plus year background in accounting, tax, and financial related fields. Eugene began his career working in accounting for Bennett Management Inc. in the Toledo area. Since leaving that company in 1979 Eugene has expanded his expertise to include financial planning and tax related issues. Eugene and his family reside in Sylvania and he is excited about joining our business and being able to work with our clients in a more personalized atmosphere.

We have chosen these two individuals to join our company because of the diverse expertise and skills that they possess. We are excited about being able to offer our clients uninterrupted service and look forward to the 2010 tax season. **Please indicate the tax preparer you would like to make an appointment with when you call. We look forward to working with you.**

**Louann Artiaga    \*\*    Robert Keogh    \*\*    Amy Schultz    \*\*    Eugene Seiler**

## **WATCH OUT FOR INCOME TAX SCAMS**

Every year as the income tax season arrives; con artists hit the mail, radio, TV, and send out faxes and spam claiming that they have loopholes that allow you to AVOID PAYING TAXES. These scam artists sell books, charge for seminars or ask preparation fees to give you their “secrets”. Have you heard of these scams:

- Social security Refunds – You can get back all the money you have paid into Social Security in your lifetime.
- Slavery Reparations – Claims that the IRS offers a \$5,000 - \$80,000 payment to African Americans as slavery reparations, usually charging a fee to assist in filing a claim.
- Paying Income is Illegal because the 16<sup>th</sup> Amendment was not properly ratified.
- US Citizens are not subject to income taxes because the IRS Code imposes taxes only on income derived from certain foreign-based business and investment plans.
- Filing IRS Form 1040 violates the Fifth Amendment right against self-incrimination or the Fourth Amendment right to privacy
- Wages, tips, and other compensation received for personal services are not income because there is no taxable gain when a person exchanges labor for money.
- Forming a business trust to hold your income and assets will avoid taxes. A family estate trust will allow you to reduce or eliminate your tax liability.
- There is no Internal Revenue Code that imposes taxes. The tax code clearly states that payment is voluntary.

There are many other arguments some even more outrageous. The IRS continues to investigate promoters of these frivolous arguments and to refer cases to the Justice Department for criminal prosecution. Taxpayers who file frivolous tax returns face a penalty of %500, and may be subject to civil penalties of 20% to 75% of the underpaid tax. Those who pursue such cases in the courts face penalties up to \$25,000 in addition to the taxes, interest, and civil penalties they may owe. Bottom Line – Avoid these scams and report anyone trying to get you involved.