

CLIENT LINE

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Small Business Jobs Act 2010

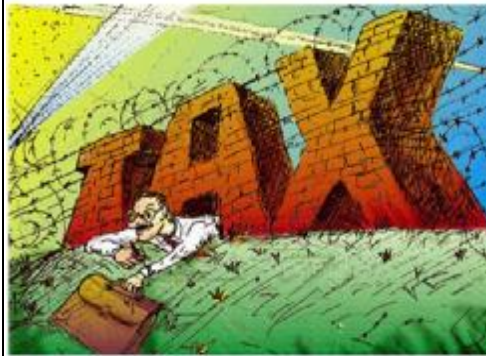
The Small Business Jobs Act, which was signed into law by in September, contains \$12 billion in tax breaks for small businesses. The thinking is that stimulating capital investments and certain other actions by businesses will help to create new jobs. Here are the major provisions that might help you by cutting your business taxes for 2010.

Five-year carry back on business tax credits. In the past, you could only carry back these tax credits for one year.

General business credits for small business not subject to alternative minimum tax (AMT). The alternative minimum tax is imposed on individuals to assure that they pay at least the minimum tax; in the past, business owners filing Schedule C with their personal tax returns were not able to take general business credits if they were subject to AMT.

Section 179 Deduction Increase. Section 179 accelerated depreciation deductions for purchase of business property, which were expanded in recent years to \$250,000. The passage of this bill will increase the Section 179 depreciation limit to \$500,000 (with limits on the amount purchased). Of course, you can only take the deduction if you spend the money to buy the property.

If you are self-employed and pay own health insurance premiums, you will have a lower tax bill this year. While the payment of premiums for your staff is a business deduction, your own premiums are a personal deduction (they reduce your gross income and you don't have to itemize deductions to write off the premiums). What's new for 2010 only is that your premiums reduce your net earnings from self-employment for purposes of the self-employment tax (covering your Social Security and



Medicare taxes for the year), which can save you considerable dollars. For instance, if you pay premiums of \$10,000 in 2010, you'll save about \$1,500 in self-employment tax. In effect, the tax savings reduces your out-of-pocket costs for the premiums to about \$8,500

Accelerated Bonus Depreciation Continued. The 50% Bonus Depreciation provision was supposed to end December 31, 2009. The new law will continue that extra depreciation through business purchases in 2010. This is a 50% bonus for new property purchased and put in place this year.

Increased Deduction for Start-up Costs. Currently a new business may deduct up to \$5,000 of start-up expenses in the first year, rather than having to spread these costs over 20 years. The new law will increase this allowable expense to \$10,000, effective for tax years starting after December 31, 2009. The expense is phased out after \$60,000.

The Small Business Jobs Act likely is not the final word from Congress on taxes for your business this year. Dozens of tax breaks that expired at the end of 2009 may still be extended -- retroactively -- for 2010. Best advice? Stay in contact with our firm so that we can advise you on moves to make to benefit from existing and potential tax breaks.

Get Ready for 2011 Tax Changes

Ready or not, tax changes are likely coming in 2011. Most ordinary tax rates are scheduled to increase. But, if a new proposal in Congress passes, tax cuts will expire only for most people in the top two income tax brackets. Also, the estate tax is set to return at the same time, special rates for qualified dividends could disappear and historically low capital gains taxes are scheduled to increase.

You still have time to prepare. Here are a few strategies that can help you manage your portfolio in a rising tax environment.

Invest with a focus on tax diversification. A portfolio with a mix of taxable, tax-deferred and tax-free investments can help you plan for your tax obligations, so you'll have more control over when you pay taxes for retirement, college and other financial goals.

Take profits and capital gains now. Capital gains taxes are historically low at 15%, but they're predicted to jump as high as 20% beginning in 2011.

Accelerate your income in 2010. In the past, deferring income helped many people reduce their tax payments. Today, it could result in them paying more taxes on the same income next year. So consider accelerating your income by exercising non-qualified stock options. Also, make sure you bill clients promptly if you're self-employed.

Take advantage of tax-free investments. If you're in a higher tax bracket, tax-free municipal bonds may be a smart choice for you. That's because, typically, you pay no federal tax on the interest they earn.

5 Risks We Take with Credit Cards



The potential for going deeply into debt isn't all that makes plastic hazardous to your wealth. Other, more-subtle temptations can also cause trouble.

1. Give it to your kid

The inherent danger involved with giving your offspring a credit card is nothing new to parents. But the Credit CARD Act has created some new situations to think about.

The law prohibits card issuers from giving credit cards to anyone under 21 unless that individual has proof of enough income to pay off debt. As a result, some parents are co-signing on cards for their under-21 kids or adding their kids as authorized users on their own credit cards.

A young person with Mom's or Dad's credit card can be dangerous unless you have a plan. Make it clear that your kid needs permission to make purchases with the card. Stress that the card is an alternative to carrying cash -- not a way to get something that they can't afford.

Make sure to monitor credit card purchases, just in case that plan isn't being followed.

2. Give it to an employee or contractor

One of the most-famous examples of this situation involves Kim Kardashian. She was hired as a "consultant" for R&B singer Brandy Norwood. Kardashian claimed that Norwood's mom gave her a credit card to make purchases and allegedly went on a shopping spree with her client's credit card. The damage? \$120,635.82.

If you run a business and you need to give a credit card to an employee or contractor, choose a card that allows you to set spending limits. When a cardholder reaches the limit, the card is rejected. But the best step is to monitor your credit card statements and know

3. Use it on a website that's not

You must make sure you're on a secure, encrypted website before you key in your credit card number. Secure websites have encryption software designed to prevent identity theft.

When you're on a secure website, you'll see a lock icon in your browser's address bar and "https" in the URL. Note the "s" at the end of "http."

4. Spend all the way up to your limit

There are a couple of issues here, with piling up debt being the obvious problem. But maxing out your cards also has the potential to damage your credit scores. Scores are partly tied to credit-utilization ratios -- card balances compared with available credit. Max out your cards, and your utilization ratio goes up. This scenario usually results in credit scores going down.

There are also "intangibles" to think about. If you suddenly use up your credit limit, your card issuer could take this as a signal that you're in dire straits. An alarmed issuer might raise your interest rate. And what if you suddenly need a new dishwasher? You should, of course, have an emergency fund for such unexpected expenses. But in these uncertain economic times, that's not always possible.

5. Dispose of it improperly

If you decide you no longer want to keep a particular card, you need to do three things:

- First, make sure the balance is paid off before you close the account.
- Second, call customer service and confirm that your balance is zero. If it's zero, go ahead and inform the service rep that you're closing the account. It's also a good idea to send a letter to the issuer stating that you've closed the account and to include details from the call.
- Third, cut up your card. There's actually a correct way to do this. You need to disable the magnetic strip with a strong magnet or by scoring the strip with scissors. Then shred the card or cut it into pieces. If this is a bad "breakup" with your issuer, you might

CLIENT NEWS

November Tax Calendar

November 15th Monthly payroll tax deposits for IRS & State

November 20th State Sales Tax due

Happy Thanksgiving



The purpose of this newsletter is to provide current information on tax, financial and business developments and to suggest general tax planning ideas that may be appropriate in certain situations. The opinions are generalizations and may not apply to all taxpayers, so it is important that you seek our professional advice before implementing any tax strategies mentioned in this publication.