

Moceri & Company, P.C.

Tax Alerts

Volume 2, Issue 1

January, 2010

Giving Back

Moceri & Company participated with the 2009 Family Adoption Program. The program, sponsored for the last 16 years by the Volunteers of America, matches corporate or individual sponsors with a local family in need for the holidays. Gifts were donated by both the company and by our employees personally. With everyone's enthusiastic support we were able to provide a disadvantaged family from Clinton Township with a great Christmas experience. Items donated included food, bedding, clothing, hats and gloves, cleaning supplies, and even toys for the kids. Our thanks to the Volunteers of America for facilitating this program, and to our employees for making it such a success! ♦



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Employee Expense Rules

Substantiation Requirements

As you know, business meals, lodging, and incidental expenses incurred while traveling away from home are deductible if properly substantiated. Although taxpayers have the option of keeping the actual records of travel expenses, IRS-provided per diem allowances can be used instead to substantiate the business travel expenses.

Within the continental United States, different per diem rates have been established for the many different localities to which an employee may travel. These simplified per diem rates that employers can use to reimburse employees for expenses incurred during business travel away from home have recently been updated, and are effective for travel on or after October 1, 2009. For travel within the continental United States (CONUS), the taxpayer has the option of using the 2008/2009 fiscal year per diem rates, or the October 1 - December 31, 2009 rates, as long as they are consistently applied.

An alternative per diem method called the "high-low" substantiation method has been provided to simplify the employer's administrative burden. Under the "high-low" method, a uniform per diem rate has been established for localities that are classified as high-cost, and another rate for all other localities within the continental US, which are classified as low-cost. For transportation industry employees, business travel expenses may be computed periodically rather than daily, and special M and IE rates apply.

Transition rules have been provided for taxpayers who want to switch their method of substantiation.

If you are looking for additional information please contact our office, we would be happy to answer questions or discuss your options in greater detail. ♦

Extension of Bonus Depreciation and Section 179 Expense Deduction

The American Recovery and Reinvestment Tax Act of 2009 (2009 Recovery Act), provides several incentives for business investment in capital and equipment. These provisions extend prior law increases in the limitation on expense deductions for depreciable assets and allowable 50% bonus depreciation on new equipment for the year it is placed in service. More specifically, the 2009 Recovery Act extends the available expense deduction limitation under Code Sec. 179 of \$250,000, and the phase-out amount of \$800,000, through tax years beginning in 2009. Bonus depreciation is also extended through 2009 (through 2010 for certain longer-lived and transportation property).

Because these extensions are temporary and generally apply only to tax years beginning in 2009, new purchases should be made and placed in service accordingly. The increased expense deduction will revert back to \$125,000 (indexed for inflation) for qualifying assets after 2009. Further, the \$125,000 deduction (adjusted for inflation) is scheduled to revert back to \$25,000 for tax years beginning after 2011. Similarly, in 2010, the phase-out amount, which begins with every dollar spent over \$800,000, reverts back to \$500,000, adjusted for inflation, and is scheduled to revert to \$200,000 after 2011.

If you have any questions about how this development applies to you, or about any other aspects of this legislation, please contact our office. ♦

Guidance on Health Savings Accounts

The IRS has issued a notice providing both employers and employees with a set of formal questions and answers on Health Savings Accounts (HSAs). Contributions to HSAs are deductible by employees in determining adjusted gross income, which effectively allows taxpayers with high-deductible health insurance to make contributions on a pre-tax basis to cover health care costs.

The guidance includes over 40 frequently asked questions and answers, grouped into categories including eligible individual, HDHPs, HAS contributions, HAS distributions, prohibited transactions, and establishing an HAS.

If you are an individual who is eligible to participate in a health savings account or has previously reported a deduction for a HAS, you may wish to consider utilizing this tax-efficient plan for medical expenses.

Employers are not required to make contributions to employee HSAs. However, if you make a contribution to any employee's HAS, you must make comparable contributions to all comparable participating employee HSAs. Other rules apply as well.

Our office can assist you as an individual to assess your eligibility to participate in a HAS and how you can get the maximum tax benefit from deductible contributions. Additionally we can assist employers, with an analysis to determine whether your current employee benefit plan is in compliance. ♦

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Quickbooks Corner

Purchase and sell to the same company

1. Set up a bank account called "Barter" in the chart of accounts.
2. Enter vendor charges using "enter bills" or "write checks". Enter in the memo field "barter" and reference your invoice number the adjustment is applicable to. If "write checks" is used select "Barter" as the bank account. If "enter bills" is used a "pay bill" transaction is necessary to remove the account payable. On the "pay bill" transaction choose the "Barter" bank account.
3. Record sales on a sales receipt or invoice.
4. Enter a "receive payment" transaction using the "Barter" account as the "deposit to" bank account. ♦