



MOCERI & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS

Tax Alerts

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Financing Small Business

If you are one of the unfortunate individuals downsized during this recession perhaps you have been thinking about starting you own business but are unsure about your ability to find financing. Good News! Many lenders in our area participate in the Small Business Administration's lending programs. The SBA has many programs available for existing businesses as well as start ups. Please call our office if you are planning to start a new business or own a business in need of financing. We work with several different banks and can provide you with a referral to one that participates with the SBA. ♦

2009 4th Quarter Developments

The start of 2010, and tax planning for the rest of 2010, has been shaped in several important ways by recent developments that took place just as 2009 drew to a close. Those fourth quarter 2009 tax developments should not be overlooked both in implementing 2009 return preparation strategies and in developing ways to immediately start lowering your 2010 tax bill.

Net Operating Losses (NOLs). The Worker, Homeownership and Business Assistance Act generally allows taxpayers to elect to carry back an NOL from 2008 or 2009 for three, four or five years. The IRS subsequently issued guidance. Decisions on how a business treats certain income and expenses on its 2009 tax year return now being prepared can make a difference in how effectively this NOL election can be utilized. Please contact our office for more details about this potentially valuable tax break, especially for businesses struggling during the recession.

Homebuyer credit. One of the most popular tax breaks in recent years is the first-time homebuyer credit. In November 2009, Congress extended the credit for qualified taxpayers purchasing principal residences on or before April 30, 2010. If a taxpayer enters into a binding contract before May 1, 2010, to close on the purchase of a principal residence before July 1, 2010, the new law treats the credit as not expiring until July 1, 2010. A reduced credit is available to qualified long-time homeowners who are buying replacement property. If you are thinking about buying --or selling-- a home, integration of the homebuyer credit into those plans might mean the difference between closing a deal and being sidelined in this difficult market.

Retirement plans. The 2010 limits on elective deferrals to 401(k)s, 403(b)s, certain 457s, and the federal government's Thrift Savings Plan remain unchanged at \$16,500.

The limit on annual additions to defined contribution plans also remains unchanged at \$49,000 for 2010. Eligible individuals age 50 and above by the end of 2010 may make catch-up contributions to IRAs, 401(k)s and other savings arrangements. The catch-up amount for IRAs remains unchanged for 2010 at \$1,000. The catch-up amount for



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401(k)s, 457s, 403(b)s, by eligible individuals age 50 and older also remains unchanged at \$5,500 for 2010.

Social Security wage base. Low inflation has contributed to no-change in the Social Security wage base for 2010. The maximum amount of earnings subject to Social Security will be \$106,800 in 2010. The so-called "nanny tax" also remains unchanged. Cash amounts paid for domestic services in the employer's private home are not subject to FICA taxes if less than \$1,700 during 2010.

Mortgage interest. In a pro-taxpayer interpretation of existing law, the IRS approved an interest deduction for an additional \$100,000 of a loan exceeding \$1 million that was used to purchase a residence. The IRS characterized the \$100,000 amount as home equity debt rather than as acquisition debt subject to a \$1 million limit under Code Sec. 163(h)(3). The decision effectively allows taxpayers to deduct interest on \$1.1 million of a loan used to purchase a residence, instead of the \$1 million loan limit on "acquisition indebtedness." Examining the Tax Code closely, the IRS concluded that the \$1 million limit was part of the definition of acquisition debt.

Mileage rates. Effective January 1, 2010, the standard business mileage rate falls from 55 cents per mile in 2009 to 50 cents per mile in 2010. The drop reflects low inflation in 2009 and lower gas prices. The standard mileage rate for medical and moving expenses for 2010 will be 16.5 cents-per-mile, also down from 2009. The rate for the charitable deduction remains fixed at 14 cents-per-mile for 2010.

Per diem rates. The IRS reinforced the ability of businesses to streamline 2010 travel expense reporting for tax purposes when it issued its annual update of the "simplified per diem rates" this past October. The IRS-approved per diem rate for high-cost areas is \$258 (\$193 for lodging and \$65 for meals and incidental expenses), which represents an increase of \$2 from the previous rate. The IRS-approved per diem rate for all other areas is \$163 (\$111 for lodging and \$52 for meals and incidental expenses), which represents an increase of \$5 from the previous rate. The revised rates apply to per diem allowances paid for travel on or after October 1, 2009.

Overstatement of basis. The IRS issued temporary and proposed guidance in late Fall to reinforce the agency's position that any basis overstatement, outside of a trade or business, which leads to an understatement of gross income under Code Sec. 61(a) is an omission from gross income for purposes of the extended assessment period (six years, instead of three) under Code Sections 6229(c)(2) and 6501(e)(1)(A). Several courts have issued contrary decisions. It is a development that needs to be watched by investors and other taxpayers that rely on basis calculations to compute their taxable gains.

Tax compliance. The IRS has been touting the success of its

recent offshore disclosure initiative. According to top IRS officials, more than 14,000 taxpayers disclosed unreported foreign accounts. The IRS has started combing the disclosures for information about offshore tax evasion and has promised to continue its crackdown. One tool will be the IRS's new global higher-income industry group, which will focus on returns filed by high net worth individuals. Not only those who invest abroad but all taxpayers should take notice of the IRS across-the-board drive toward more frequent and aggressive audits as the agency is pressed by Congress to generate more revenues.

2010 filing season. Employers have been using revised withholding tables to implement the new Making Work Pay Credit. For some individuals, those revised withholding tables may have caused them to underpay their federal tax obligations for 2009. Lower refunds or even a balance due on 2009 tax returns will be a more frequent occurrence as a result. If you have questions about your withholding, please contact our office as soon as possible. ♦

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Quickbooks Corner

Prompt to add filters before running a report

If you routinely run filtered reports, one time saving tip is to set up Quickbooks to prompt you modify prior to generating the report.

- Choose Edit from the menu bar
- Choose Preferences
- Select Reports and Graphs
- Click the radio button to select Prompt me to modify report options before opening a report

Quickbooks will now open the Modify Report screen before generating a report. This saves you time by allowing you to input your desired filters the first time the report is generated, rather than running a report with default settings, then modifying the settings and regenerating the report. ♦