



Tax Alerts

Convention Expenses – Self-Employed Individuals

The Tax Code allows you to deduct the cost of attending work-related conventions, conferences and seminars, but your attendance at these functions must be related to your business and they must benefit your business activities.

The most important limitation on deducting convention and seminar expenses is that your attendance at the meeting will advance your business. The IRS requires you to show an income-producing purpose for your attendance. For example, Alecia, a self-employed attorney from Atlanta, attends a convention about international tax law in New York. Alecia does not practice international tax law nor does she have any clients in that field. Even though the convention is law-related, Alecia cannot show any actual business benefit that results from her attending the convention. Her convention expenses are not proper deductions.

Convention expenses include: (1) registration and attendance fees; (2) air and rail fare; (3) taxi and other local transport; (4) toll telephone calls and computer rentals; (5)

accommodation; and (6) fifty-percent of the cost of meals. Remember to keep detailed records and a daily log of convention expenses.

Convention and meeting expenses incurred on behalf of your spouse or dependant are deductible if your spouse or dependant is your employee and he or she has a legitimate business purpose for traveling with you. Your business associates are treated slightly differently. Expenses incurred by your business associates, such as your customers, clients, suppliers, agents, partners, or professional advisors, are deductible if they too have a legitimate business purpose for traveling with you.

Combined business/pleasure meetings take special consideration. You may deduct only those costs associated with the business portion of the convention. If no significant business activities take place during the time allotted for the meeting, for example, videotaped presentations are given to you to watch at your convenience, the convention is personal travel and no deductions can be taken.

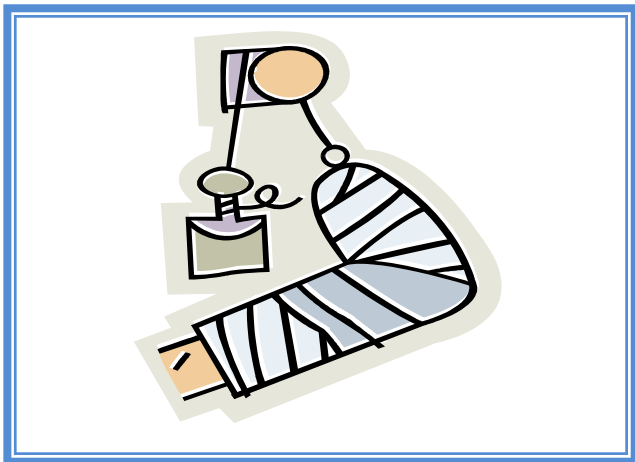
Special rules apply if you attend conventions outside of North America. The IRS looks for a good reason for attending a conference overseas and it questions if you could have attended a similar conference in North America. If you attend a business convention outside "North America" (defined as the United States and its possessions (including Puerto Rico), the Trust Territory of the Pacific Islands, Canada and Mexico), keep materials to show why its foreign location was necessary. ♦

Dealing with Health Care Reform: New Tax Laws

Now that Congress has passed landmark health care reform, much work needs to be done in dealing with new requirements. While the end result of the legislative process is necessarily health care related, the tax law plays a major role in its implementation. From the tax credits and subsidies used to expand health coverage, to the many penalties, fees and surtaxes designed to pay for it, the Tax Code is front and center.

Two new laws

Health care reform is actually made up of two new laws: the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010. The



INSIDE THIS ISSUE

1	Convention Expenses – Self Employed Individuals
1	Dealing with Health Care Reform
2	Quickbooks Corner – Keyboard Shortcuts

Patient Protection Act was crafted largely in the Senate and sets out the general framework of health care reform. The Reconciliation Act was prepared in the House to modify the Patient Protection Act, especially in the areas of tax credits and cost sharing for individuals to help make coverage more affordable. Common features to both laws are delayed effective dates for many of the provisions, which make strategic planning all that more important.

New taxes and penalties

Viewing the historic health care reform package from the context of the Tax Code, many new taxes and penalties stand out immediately above the rest. Initially, we would advise taking particular note of the following highlights:

- * Individuals who earn more than \$200,000 for the year (\$250,000 for married couples) will be paying an additional 0.9 percent in Hospital Insurance (Medicare) tax, starting in 2013;
- * Individuals whose adjusted gross income for the year exceeds \$200,000 (\$250,000 for joint filers), whether from wages or otherwise, will also be paying an additional 3.8 percent Medicare tax on net investment income, starting in 2013;
- * Employers with 50 or more employees generally will be required to provide a minimum level of health insurance for their employees or pay a penalty per employee, starting in 2014;
- * Small employers with no more than 25 employees are entitled to up to a 35 percent tax credit on the cost of providing health insurance for employees, starting immediately in 2010;
- * Most individuals will be required to obtain health insurance or be subject to a penalty tax starting in 2014;
- * Tax credits to subsidize the cost of health insurance premiums will be available to individuals earning up to 400 percent of the poverty level, starting in 2014;
- * Health flexible savings arrangement (FSA) dollars will be limited to prescription medications with some exceptions after 2010, along with placing a \$2,500 annual cap on expenses covered under health FSAs, starting in 2013;
- * A 40 percent excise tax will be imposed on high-cost, "Cadillac" employer-sponsored health coverage, starting in 2018;
- * Fees will be imposed on the pharmaceutical industry and health insurance providers, starting in 2011 and 2014, respectively;
- * An excise tax will be imposed on medical device manufacturers after 2012; and
- * Limits on tax-subsidized medical expenses will be imposed by raising the itemized medical expense deduction floor for regular tax purposes from 7.5 percent to 10 percent, generally starting in 2013.

Tax incentives

Among a handful of tax incentives provided under the new health-care reform package, two are particularly notable at this time: (1) the ability of parents to cover adult children up to age 27 under their tax-qualified employer-provided health plans, starting immediately on or after March 23, 2010; and

(2) the unveiling of a simplified cafeteria plan specifically tailored to small businesses, starting in 2011.

Exchanges

The health care reform package requires each state to establish an exchange by 2014 to help individuals and qualified employers obtain coverage. Coverage will be offered at various levels. Qualified individuals may be eligible for premium assistance tax credits, cost-sharing or vouchers to help pay for coverage through an insurance exchange. An individual's income whether or not coverage is provided by his or her employer will all be taken into account when determining if the individual qualifies for a premium assistance tax credit, cost-sharing or voucher.

IRS guidance

Over the course of the next few months, the IRS and other federal agencies will be filling in details on how to comply with all the provisions under the massive health care reform package. The IRS is expected to issue guidance soon on the provisions with effective dates in 2010 and 2011. ♦

Moceri & Company, P.C.

Certified Public Accountants

45100 Sterritt St.

Suite 200

Utica, MI 48317

Phone: 586.254.2010

Fax: 586.254.4856

E-mail: general@moceri-cpa.com

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www.moceri-cpa.com

Quickbooks Corner

Quickbooks provides several keyboard shortcuts for entering dates. Below is a list of actions and the corresponding shortcut. Simply place your cursor in a date field and type the letter or symbol listed below:

t	Today
+	Increase date by one day
-	Decrease date by one day
w	First day of week
k	Last day of week
m	First day of month
h	Last day of month
y	First day of year
r	Last day of year

If you have a Quickbooks question or are in need of Quickbooks training we can help you, please give our office a call!♦