



CrawfordEllenbogen LLC
 Certified Public Accountants
 INAA Member

Dudley's Dogma



Now that I'm getting older (I did just turn 8, you know), retirement is on my mind. It reminds me that I need to save for retirement, but I never seem to know how much I can put into my plan.

To get you thinking about it, I thought I'd share with you how much you can put into your retirement accounts for 2010. Like I said, it's not too early to start thinking about it. *(Continued on Page 3)*

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Tax Bytes

Summer Preview 2010

PA Tax Amnesty Ends Soon... Pay Before June 18th

Time is running out for Pennsylvania tax delinquents to avoid additional penalties by participating in the PA Tax Amnesty program, which ends June 18.

From now until June 18, Pennsylvania is waiving 100 percent of penalties and half the interest for anyone who applies for Tax Amnesty at

www.PATaxPayUp.com and pays eligible delinquent taxes. The program is generally available to all individuals,



businesses and other entities with PA tax delinquencies as of June 30, 2009.

"This is an opportunity to avoid paying costly penalties," said PA Department of Revenue Secretary C. Daniel Hassell. "Taxpayers who settle up during Tax Amnesty will avoid additional action taken by the Department of Revenue."

After the Tax Amnesty period ends on June 18, eligible individuals who do not take advantage of the PA Tax Amnesty program to settle back taxes will have a 5 percent non-participation penalty added to delinquencies and may face other enforcement actions.

Taxpayers must apply for PA Tax Amnesty online at www.PATaxPayUp.com; no paper applications are available.

A toll-free hotline and call center featuring extended customer service hours has been dedicated to the PA Tax Amnesty program. Taxpayers may call 1-877-34-PAYUP (1-877-347-2987) from 7:30 a.m. to 7 p.m., Monday through Friday, and from 8 a.m. to 4 p.m. on some Saturdays. For more information, visit www.PATaxPayUp.com before June 18, or call our office.

Employer Notification Requirements Under Cobra Subsidy Extensions

The COBRA subsidy has been extended with amendments made to the American Recovery and Reinvestment Act [ARRA], and the notification requirements of employers' plans have changed as well. ARRA, as amended, requires plans to notify current and former participants and beneficiaries of the reduction in premiums.

General notification must be sent to all beneficiaries, not just covered employees, that experience a qualifying event during the period September 1, 2008 through May 31, 2010. In addition, notice must be sent to any individual that experienced a qualifying event during the period that was a reduction of hours and:

- subsequently lost employment even if they did not elect coverage initially, or
- elected coverage but subsequently let it lapse.

If previous notices sent to individuals did not contain information contained in the amendments to ARRA, then supplemental information and notice of the extension of the election period should be sent to these individuals.

The US Department of Labor has released model notices to assist employers with informing COBRA qualified beneficiaries of the subsidy information. These notices have been updated to reflect all of the amendments made to ARRA.

Extended Unemployment Compensation ("EUC")

A temporary extension of the federally funded emergency unemployment compensation program was recently signed by President Obama. This extends the program through June 2, 2010. The extension does not provide any additional weeks or tiers of EUC benefits. Claimants may receive up to 99 total weeks of benefits depending on what Tier they are eligible for. Any Pennsylvania claimants affected by the extension will be notified by mail.



Lite Bytes

RMDs are Back

Under the Worker, Retiree, and Employer Recovery Act of 2008, required minimum distributions (RMD) from qualified plans and IRAs were suspended for 2009. In 2010, however, the required minimum distribution is back! If you fail to take your RMD, the tax laws impose a penalty equal to 50% of the RMD that you failed to take.

Also, if you took advantage of the suspension in 2009, it might be a good time to take a look at your tax situation for 2010. Since this income was not included on your 2009 income tax return, there may be additional estimated tax payments or withholding needed for 2010. We're happy to help, please call us if you have any questions.

Who is your Beneficiary?

When is the last time you reviewed your named beneficiaries for your retirement assets and your life insurance policies?

Outdated beneficiary designations can have unintended consequences and can sometimes cause hard feelings. Additionally, the beneficiaries

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Roth IRA Conversions

Starting in 2010, higher-income taxpayers can now convert traditional IRAs to Roth IRAs. Previously, if a taxpayer's adjusted gross income was above \$100,000 they were not eligible to convert. Some of the benefits of Roth IRAs are:

- Earnings grow tax free
- Qualified distributions are tax free
- No minimum required distributions
- No age restrictions for contributions (although you must have earned income)
- Beneficiaries can generally withdraw tax free

When converting to a Roth IRA, the taxes are paid in the year of conversion. However, for conversions in 2010 only, income can either be reported in 2010 or deferred and reported equally on 2011 and 2012 income tax returns. For example, if you convert \$50,000 in 2010 from your traditional IRA to a Roth IRA, \$25,000 can be reported on your 2011 income tax return and \$25,000 on your 2012 return. You can convert all or a portion of your IRAs including SEP and SIMPLE IRAs. You can also "undo" (called recharacterize) your conversions by the extended due date of your return, if you later determine the conversion is not right for you. Some (but not all) of the factors to consider if a Roth IRA conversion is right for you are:

- How long before I would need the money? [You should allow at least 5 to 10 years before withdrawing any funds.]
- Do I have funds outside of my IRAs to pay the taxes on the conversion? [If you pay the taxes from your IRA, you may be subject to penalties. You also reduce or eliminate the benefits a Roth provides.]
- Will the conversion push me into a higher tax bracket?
- Am I in a lower tax bracket now and do I expect to be in a higher tax bracket when I retire?

Rollover from 401(k) to Roth

In the past, it used to take two steps to transfer funds from a 401(k) plan to a Roth IRA. The plan participant had to use a traditional IRA as a go-between. And certain high-income taxpayers couldn't complete the deal in any event. But the rules have changed for the better.

When it's appropriate, you can now roll over funds directly from a 401(k) or other qualified plan to a Roth. Best all, there's no longer any restriction based on your income, beginning in 2010. This change is expected to spur even more direct rollovers this year. Accordingly, the IRS recently issued new guidance on 401(k)-to-Roth rollovers. (IRS Notice 2009-75)



Old rules: Prior to the Pension Protection Act of 2006 (the PPA), a 401(k) participant wanting to transfer assets to a Roth first had to roll over the funds to a traditional IRA. Then he or she converted the traditional IRA into a Roth and paid the resulting tax liability. To complicate matters, the rollover couldn't be completed in a year in which the participant's modified adjusted gross income (MAGI) exceeded \$100,000.

New rules: The PPA simplifies the two-step process by allowing 401(k) plan participants to roll over funds directly to a Roth, bypassing the traditional IRA. This change applies to distributions after Dec. 31, 2007. But taxpayers have still been hampered by the MAGI limit the last two years.

Not anymore. Effective Jan. 1, 2010, the \$100,000 dollar cap has been repealed. Tax bonus: For a conversion taking place in 2010, you can spread the tax due over the following two years -- 2011 and 2012.

Depending on your situation, it may be beneficial to rollover 401(k) funds to a Roth this year. This may be the first year you can take advantage of this special opportunity. To discuss the particulars, please call our office.

Using QuickBooks? Maybe It's Time to Upgrade!

On May 31, 2010 services and support for QuickBooks 2007 will discontinue. QuickBooks will continue to work after that date, but the following services will be affected:

- | | | |
|--------------------|---------------------------------------------------------|----------------------------------------|
| • Assisted Payroll | • Employee Organizer | • Bill Pay |
| • Basic Payroll | • Merchant Service | • Online Banking |
| • Enhanced Payroll | • Billing Solution [formerly QuickBooks Online Billing] | • Terminal Download |
| • Standard Payroll | • QuickBooks Email | • Technical Support Plans and Services |



If you'd like assistance with purchasing a newer version of QuickBooks, which we can purchase for you at a discounted rate, or assistance with the upgrade process, we would be happy to help.

Volunteer Efforts



Barb Wagner volunteers each week at Sterrett School in Point Breeze as a 6th grade mentor to Antwain. This is a pilot program in eight Pittsburgh middle schools. The purpose of this program is to stress the importance of education in achieving career goals. Barb encourages Antwain to take advantage of his education and understand that there are endless opportunities out there waiting for him.

Barb also volunteered her time on April 24, 2010, to help clear away debris in Lower Frick Park.

Debris builds up along Nine Mile Run Watershed, especially after heavy rainfall. Periodic stream sweeps ensure a healthier environment for all of us.



Terri Mueller volunteers her time as an Accelerated Reader coordinator for Harrison Park Elementary School. The Accelerated Reader is a software program that encourages kids to read. Terri helps to track each child's progress and award incentives based on the goals that are set for each child.

Starting A New Business?



It takes a special kind of person to start a business; let us help you with our special kind of service. We're easy to talk to, have a clear fee structure, and do things on time!

You can maximize your chances for success by proper attention to the accounting, tax, and financial needs of your business. That's where we come in. We offer a full range of accounting and tax services, including bookkeeping set up & training.

We've just published our Successful Business Kit - A Guide To Financial, Tax and Accounting Considerations of Running a Successful Business. This book is packed with useful information for new businesses, including all the forms you need to register with the Internal Revenue Service and other tax authorities. Call us at 412.731.1500 for your complimentary copy (no cost or obligation).

Giulia Dozzi gives presentation



The YWCA recently offered a non-credit course: "Enterprising Women: Microenterprise Ownership Certificate Program". This course is geared towards women who want to start a microenterprise and are not quite sure where to begin.

Giulia Dozzi, a Senior Associate at CE, was given the opportunity to share some of her knowledge and expertise with the class on two separate occasions. She spoke about the different types of business entities and was able to answer some questions regarding the start up costs involved in launching your own business. Giulia reviewed the differences between cash flow and income and the importance of budgeting and good bookkeeping. Another topic of discussion was the different kind of taxes, such as sales tax and payroll tax. Everyone in the class received a complimentary copy of our *Successful Business Kit*, which contains helpful information for new businesses.

Lite Bytes – Who is your Beneficiary ?

(Continued from page 2)

named on each of your retirement accounts will determine who receives the money, even if your will states that the money should go elsewhere. Beneficiary designation forms override your will. Here are a few reminders of things you should do so that that your funds go where you intend:

- Identify a new heir after the death of a primary beneficiary
- Remove an ex-spouse
- Change your beneficiary forms after you get married
- Change your beneficiary forms after the birth or adoption of a child
- Complete a separate beneficiary form for each account

2010 Retirement Account Funding Limits

| Type of Account | Under 50 | 50 & Older |
|-----------------------|--------------------------------------------------------------------|------------|
| IRA | \$5,000 | \$6,000 |
| Roth IRA | 5,000 | 6,000 |
| 401(k) | 16,500 | 22,000 |
| 403(b) | 16,500 | 22,000 |
| Roth 401(k) | 16,500 | 22,000 |
| SEP IRA | 20% of net SE income after SE tax deduction up to maximum \$49,500 | |
| SIMPLE IRA | 11,500 | 14,000 |
| Defined Benefit Plans | Actuarially computed based on maximum compensation of \$245,000 | |

There are other rules and limitations (income & otherwise) that may apply. We'd be happy to discuss your particular situation with you.

There may also be penalties for early withdrawal.

Clearly, planning is an important part of making sure you understand the rules in order to meet your retirement goals & objectives.

Call us. We're happy to help.

Dudley's Dogma

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Questions??? Call or e-mail us. T: 412.731.1500 jellenbogen@ce-cpa.com vdozzi@ce-cpa.com

Tax Aspects of Health Care Law

The new health care law includes sweeping changes for both employers and individuals. Following is a brief summary of several key tax-related provisions.

Coverage for individuals: After 2013, any individual not eligible for Medicare or Medicaid must obtain minimum essential coverage or pay a nondeductible penalty based on a flat dollar amount or a percentage of household income. The new law also provides coverage subsidies to qualified lower-income individuals through premium assistance tax credits and reduced cost-sharing.

Employer requirements: Beginning in 2014, an employer failing to offer minimum essential coverage in any month for an eligible full-time employee will be liable for an additional tax. The tax equals 1/12th of \$2,000 times the number of all full-time employees. This penalty applies to employers with 50 or more workers, but the first 30 workers are subtracted from the calculation.

Small businesses: Beginning in 2010, a qualified small business may use a special tax credit to offset employer-provided coverage. A "small business" is generally one with no more than 25 employees and average annual wages of less than \$50,000 per employee. A bigger credit is available to employers with no more than 10 employees and average annual wages of less than \$25,000.

Medicare taxes: Beginning in 2013, an additional 0.9% Medicare tax is imposed on wages of unmarried individuals with earned income above \$200,000 and \$250,000 for married joint filers; and an additional 3.8% Medicare tax applies to "net investment income" received by unmarried individuals with a modified adjusted gross income (MAGI) above \$200,000 and \$250,000 for joint filers.



Tax on health insurance plans: Beginning in 2018, insurers will have to pay a 40% excise tax if the annual premiums for a health insurance plan exceed \$10,200 for individual coverage and \$27,500 for family coverage.

Medical deductions: Under current law, an individual may deduct only qualified medical expenses in excess of 7.5% of adjusted gross income (AGI). Beginning in 2013, the new law generally raises this "floor" to 10% of your AGI.

However, an individual (and spouse) who is age 65 or older is temporarily exempt from this increase for tax years beginning after 2012 and before 2017.

Flexible spending accounts: The new law caps the annual amount of health care FSA contributions at \$2,500, beginning in 2013 (indexed for inflation after 2013).

Adoption credit: The new law makes the adoption credit refundable, retroactively raises the dollar limit on the credit for 2010 from \$12,170 to \$13,170 and enhances the credit for adopting special needs children.

Information reporting: Beginning in 2012, a business must file information returns for annual payments of \$600 or more to any corporate or noncorporate recipient (other than tax-exempt entities).

Of course, this is only a general overview of several important tax provisions in the massive health care legislation. To find out exactly how the new law affects you, your family and your business, please call us.

Payroll Tax Breaks in HIRE Act

The new Hiring Incentives to Restore Employment Act (HIRE) Act of 2010 provides two key payroll tax breaks for employers who hire new employees.

Payroll tax break #1: Normally, an employer must pay the 6.2% Social Security tax portion of the FICA tax on an employee's wages up to a specified annual amount (\$106,800 for 2010). The 1.45% Medicare tax portion of the FICA tax applies to all wages.

But the new law waives the Social Security tax liability for wages paid to qualified employees from March 19, 2010, through December 31, 2010. A "qualified employee" is one who starts work for the company after February 3, 2010, and before January 1, 2011; has not been employed for more than 40 hours during the previous 60 days; was not hired just to replace another employee (unless the former employee separated from employment voluntarily or for cause); is not related to the employer; and does not own, either directly or indirectly, more than 50% of the company.

Payroll tax break #2: In addition to the payroll tax exemption for hiring qualified employees, an employer can secure a tax credit for keeping these workers employed for at least 52 consecutive weeks. Each credit, which is added to the general business credit, equals the lesser of \$1,000 or 6.2% of the wages paid to the worker during the 52-week period.

Of course, this is only a brief overview of these two new tax breaks. If you need more details about the HIRE Act rules, please do not hesitate to call us.