



NEWSLETTER

June 2010

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Dates to remember

There are several important dates coming up:

- June 15 2nd quarter 2010 estimated tax payments are due for individual, fiduciary, and corporate calendar year-end taxpayers.
- August 13 All partnership, corporate, and fiduciary return information must be submitted to Green & McElreath for preparation of 2009 tax returns due September 15, 2010.
- August 15 Texas Franchise Tax extension payment is due for entities that are required to pay their franchise tax by Electronic Funds Transfer (EFT).

**Health Care Act -
Individuals**

The key tax changes affecting individuals include:

Mandatory health insurance for individuals - U.S. Citizens and legal residents without qualifying health coverage will pay a tax penalty beginning in 2014. Tax credits will be available to low and middle income individuals for the purchase of health insurance. Exceptions and exclusions apply.

Medical expense deduction - the limitation on the medical expense deduction is raised from 7.5% to 10% of AGI, effective for tax years beginning after December 31, 2012. For individuals age 65 and older (and their spouses), it remains unchanged at 7.5% of adjusted gross income through year 2016.

Health flexible spending arrangements - (FSAs) are capped at \$2,500 for tax years beginning after December 31, 2012.

Over-the-counter medications - no health reimbursement arrangement, health savings account, medical savings account, or medical flexible spending account reimbursement is allowed for drugs not prescribed by a doctor beginning after December 31, 2010.

Dependent coverage in employer health plans - with some exceptions, parents can maintain health insurance for their child who has not attained age 27 as of the end of the tax year.

High-income taxpayers - beginning in 2013, an additional 0.9% Medicare tax will be imposed on wages above \$200,000 for individuals and \$250,000 for married couples filing jointly. Additionally, for these households, the new law adds a 3.8% tax on unearned income, including interest, dividends, capital gains, and other investment income.

**Health Care Act -
Small Businesses**

The key tax changes affecting small businesses include:

Tax credits to certain small employers - starting immediately, certain small businesses with fewer than 25 employees will generally get a 35% credit for the cost of providing health benefits. The credit phases out as the employer size and average wages increase.

Additional reporting - beginning in 2011, employers will have to report the value of health benefits on Form W-2.

Penalty for not offering health benefits - starting in 2014, businesses with more than 50 employees will have to offer health benefits or pay a penalty of \$2,000 per employee.

HIRE Act

The Hiring Incentives to Restore Employment (HIRE) Act has key tax changes affecting businesses:

Section 179 deduction - extends the 179 deduction for year 2010. The maximum amount a business may expense is \$250,000, and the election phases out when a business buys more than \$800,000 of eligible assets.

Payroll tax holiday and up-to-\$1,000 credit for employers who hire unemployed workers - the new law exempts certain employers that hire a worker who has been unemployed for at least 60 days from having to pay the employer's 6.2% share of the Social Security payroll tax on that employee for the remainder of 2010. If the employer keeps the qualifying worker on the payroll for a continuous 52 weeks, the employer is eligible for an additional non-refundable tax credit up to \$1,000, to be taken on their 2011 tax return. A sole proprietor's spouse (or the spouse of someone who operates his business as a corporation) who is a bona fide employee of the business may be eligible as a qualified employee. Limitations and exclusions apply.

Estate tax

Under current law, there is no estate tax for decedents passing in year 2010 but expect a retroactive change to January 1. As this newsletter goes to press, no new legislation has been passed regarding the estate tax.

**Month-end
close**

If your business has not established month-end closing procedures, you could be reporting incorrect net income and tax due on your federal return. Several key steps should be performed monthly including: reconciliation of bank accounts, review of accounts receivable and accounts payable, and reconciliation of notes/loans payable. Our experienced professionals can either train your staff in proper procedures or conduct your month-end close for you. Please call for more details.

**Help us keep
you informed**

Many tax cuts enacted by the Bush administration are slated to expire in 2010. Stay current with tax information by joining our email list. Please email info@lcpa.com or click the link on our webpage (www.lcpa.com).

