

Client NEWSLETTER

December 2010



MILEAGE RATES

	<u>2010</u>	<u>2011</u>
	(cents per mile)	
Business	50.0	51.0
Medical	16.5	19.0
Moving	16.5	19.0
Charity	14.0	14.0

IMPORTANT DATES

Individual tax returns due:
April 18, 2011

Individual federal/state estimated tax payments due:

January 18, 2011

April 18, 2011

June 15, 2011

September 15, 2011

January 16, 2012



Corporate tax returns due:
March 15, 2011

Partnership/estate/trust tax returns due:
April 15, 2011

TAX LAWS IN LIMBO

As this newsletter was printed, Congress had yet to make any decision on the expiring tax laws. This has made tax planning extremely difficult for the 2011 tax year. The following are three changes contained in the Small Business Jobs Act of 2010 that was signed into law on September 27, 2010.

1. Self-Employment Tax

Previously, self-employment tax was calculated solely on business profit. (Profit x 92.35% x 15.3%) Beginning with tax year 2010, the cost of health insurance premiums may be deducted from business profit in calculating the self-employment tax. ((Profit - health insurance premiums) x 92.35% x 15.3%)

2. Cell Phones

Previously, cell phones were considered listed property and all business usage had to be substantiated with a phone log. Beginning January 1, 2010, cell phones are no longer considered to be listed property. However, a business use percentage still needs to be applied towards the expense if the phone is also used personally.

For employers providing cell phones to their employees, we recommend instituting a cell phone policy within the personnel policies stating that the phone is for the convenience of the employer and is required as a condition of employment.

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How Working Affects Your Social Security Benefits

For people born between January 2, 1943 and January 1, 1955 the full retirement age for Social Security Benefits is 66. Benefits are based upon having worked at least 20 qualifying quarters, and the amount earned. If you are full retirement age you can work and keep all of your benefits no matter how much you earn. There is a limit to how much you can earn and still receive full Social Security Benefits when you are younger than full retirement age. If you were younger than full retirement at any time during 2010, \$1 of benefits is deducted from each \$2 you earned above \$14,160. If you are on social security and reach full retirement age during 2010, \$1 is deducted from your benefits for every \$3 you earned above \$37,680 up to the month you reach full retirement.

People who retire during the year who have reached full retirement age and have already earned more than allowed by Social Security fall under a special rule. Under this special rule, for the first year you retire you can get a full Social Security check for any whole month you are retired regardless of your yearly earnings. For early retirement in 2010, you could earn \$1,180 in any of the months you are retired. For the next year of retirement only yearly limits apply. The yearly limit is adjusted for inflation each year. This is called indexing.

(Tax Laws, continued)

3. 1099-MISC Requirements

Beginning with tax year 2011, recipients of rental income (i.e. landlords) must provide 1099-MISCs to all service providers (electricians, plumbers, landscapers, etc.) for payments of \$600 or more over the course of the year. There are exceptions to this general rule but none that are relevant to the majority of our clients.



VERMONT HOMESTEAD / "PREBATE" CHANGES

The Vermont Homestead Declaration no longer needs to be filed on an annual basis. The form will now be filed only when there is a change in usage (converted to nonresidential use), a sale/purchase of the property, or other informational change. The Homestead Declaration is now a form separate from the Education Property Tax Reduction ("prebate") application.

The "prebate" application must be filed by April 15th every year. If the form is filed between April 16th and September 1st, the application will still be honored, however there will be a \$15 late-filing penalty. Applications received after September 1st will not be accepted.

Household income laws have been changed. Income and dividends earned in excess of \$10,000 must be counted twice in the household income calculation. In addition, the only federal adjustments that may be used to reduce household income are 1) business expenses for reservists, 2) alimony paid, and 3) tuition and fees. Retirement plan contributions may no longer be used for purposes of reducing household income.