



The Update

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Fall 2010

Sannerud, Savarese & Associates, P.A. – “Certified Public Accountants”
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FROM SUE'S DESK

There are certain times of the year that we are usually in touch with our clients. Everyone should know their personal tax returns are due April 15th each year. News media reminds

us regularly from January – April. If you are a business owner, you also are aware of your corporate deadline (March 15th if your corporate year end is December). Besides tax filing, are there other times we should be contacted? YES!

- Substantial changes in business income (up or down) from the previous year
- Getting Divorced (allocation of assets in a divorce can have different tax affects)
- Sale of your business (allocation of the sales price is a key in minimizing taxes)
- Purchasing a business (Asset purchase or Stock purchase?)
- Questions on new tax laws (don't believe everything you read on the internet)
- Sale of a Rental Property
- Early distributions from a pension (prior to age 59 1/2)
- Receiving an inheritance/Death of a family member
- Any other questions you may have.....

PROPERTY TAX REFUNDS IT'S NOT TOO LATE!

If you have not filed for your 2009 property taxes, give us a call or drop off your property tax statement “payable in 2010,” to see if you are eligible for a refund.

Do You Know Your Money?

Question: The United States once issued \$1, \$5, \$10 and \$20 bills marked on both sides with the word “Hawaii.” Why? (see page 4 for answer)

**** NEW ****

Upcoming Seminars

Offered At No Charge To Clients And Guests

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What You Need to Know About Roth Conversions

(Do you have questions regarding Roth Conversions? This is the seminar where you'll find your answers.)

Date: Thursday, November 11, 2010

Time: 6:30-7:30 pm

Location: Sannerud Savarese & Associates, P.A.

Contact: Call our office (763) 434-5929 for reservations, space is limited.

FALL IS THE TIME FOR TAX PLANNING!

Don't forget to come in for tax planning before tax season rolls around. Fall is the perfect time to review any major changes to your income, such as real estate sales or retirement, which may change your adjusted gross income for 2010. Avoid surprises for April 15th! Call your preparer to see if you need a tax planning appointment.

FYI...

Starting September 7, 2010 we will be back to our regular office hours.

Office Hours

Monday - Friday 8:00 a.m.-4:30 p.m.
or by appointment 763-434-5929

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TAX NEWS

2009 Extension deadlines are very close!

Corporations and Partnerships on extension for 2009 were due **September 15, 2010.**

Individuals on extension for 2009 are due **October 15, 2010.**

(FYI...the current monthly penalty fee for not filing an S-Corporation or Partnership tax return by the due date (or extension date) is \$89 per partner/shareholder. Next year that monthly penalty fee will increase to \$195 per partner/shareholder.

Tax Benefits for Job Seekers

Did you know that you may be able to deduct some of your job search expenses on your tax return? If you are searching for a job, here are seven things you should know about deducting costs related to your job search.

1. To qualify for a deduction, the expenses must be spent on a job search in your current occupation. You may not deduct expenses incurred while looking for a job in a new occupation.
2. You can deduct employment and outplacement agency fees you pay while looking for a job in your present occupation. If your employer pays you back in a later year for employment agency fees, you must include the amount you receive in your gross income up to the amount of your tax benefit in the earlier year.
3. You can deduct amounts you spend for preparing and mailing copies of your résumé to prospective employers as long as you are looking for a new job in your present occupation.
4. If you travel to an area to look for a new job in your present occupation, you may be able to deduct travel expenses to and from the area. You can only deduct the travel expenses if the trip is primarily to look for a new job. The amount of time you spend on personal activity compared to the amount of time you spend looking for work is important in determining whether the trip is primarily personal or is primarily to look for a new job.
5. You cannot deduct job search expenses if there was a substantial break between the end of your last job and the time you begin looking for a new one.
6. You cannot deduct job search expenses if you are looking for a job for the first time.
7. Moving costs you incur because of a change in your job location may be deductible. You must meet certain criteria relating to distance moved and timing of the move.

WHO MUST FILE FORM 1099 MISC...

All businesses must File Form 1099-MISC, Miscellaneous Income, for each person (sole proprietors including LLC's in business as sole proprietors) to whom you have paid:

\$600 or more:

- ✓ In rent (real estate rentals paid for office space, machine rentals, pasture rentals).
- ✓ For services performed (including parts and materials) for a trade or business by people not treated as employees (fees to subcontractors, commissions and prizes/awards).
- ✓ In medical and health care payments.
- ✓ To crop insurance proceeds.

\$10 or more:

- ✓ In royalties or broker payments in lieu of dividends or tax-exempt interest.

In addition, use form 1099-MISC to report:

- ✓ Any gross proceeds paid to an attorney.
- ✓ Direct sales of \$5,000 or more of consumer products for resale.
- ✓ For each person from whom you have withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Where can I get Form 1099-MISC?

You can order this form online for delivery by U.S. mail at **NO CHARGE!** Go to: www.irs.gov, Online Services, Order Forms and Publications by U.S. Mail, Online Ordering for Information Returns.

1099-MISC DUE DATES:

To recipient = January 31st

To IRS = February 28th

Effective for tax years beginning on January 1, 2012:

Form 1099 information reporting requirements will be expanded to include payments made in the course of a trade or business for **goods** (previously just for services) **AND** reporting will be required for **payments to corporations**.

LOOKING FOR (W-2's, W-3's, 1099's etc.) IRS FORMS?

You can order many of the current year tax forms and publications online for delivery by U.S. mail at **NO CHARGE!**

Go to: www.irs.gov, Online Services, Order Forms and Publications by U.S. Mail, Online Ordering for Information Returns and Employers Returns. **ORDER NOW...to ensure you receive your forms for Year-End!**

TAX NEWS

Request for Taxpayer Identification Number and Certification (Form W-9)

What is the purpose of the W-9 form?

Form W-9 is used to obtain the correct taxpayer identification number, by any person required to file a federal tax return, to report; income paid to you (i.e. subcontractors), real estate transactions, mortgage interest paid to you, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

If you are requested to provide your taxpayer identification number use of Form W-9 will verify:

1. That the TIN you are giving is correct (or you are waiting for a number to be issued),
2. That you are not subject to backup withholding, or
3. That you claim exemption from backup withholding if you are a U.S. exempt payee.
4. If you are registered as an LLC, you must disclose your tax classification.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Get this form online at: [www.irs.gov](http://www.irs.gov/forms/W-9), forms, W-9 Form.

*Courage is going from failure to failure
without losing enthusiasm.
(Winston Churchill)*

FYI... SNOWBIRDS

For all of you that escape to someplace warm for the winter, there is no need to rush back, in order to complete your 2010 taxes. You have the option to mail your 2010 supporting tax documents to us. We then will fax or email to you any forms requiring your signature and fees due for our services. Upon receipt of those signed forms and payment, we will file your tax return and mail you the necessary tax documents.

Remember...Save time by filling out the Tax Organizer on your computer - www.sannerudsavarese.com. It is PDF document that you can fill out and print, or save to your computer to modify and print in time for your 2010 tax appointment.

Do you plan to donate items this tax season?

If so, then please visit our website at www.sannerudsavarese.com, click the "links" tab, then click on "Goodwill Valuation Guide For Donors" to review the suggested price range list for commonly donated items.

Closing Deadline For Eligible Homebuyer Credit Purchases Extended To: September 30, 2010

Eligible taxpayers who contracted to buy a home, qualifying for the first-time homebuyer credit, before the end of April now have until September 30, 2010 to close the deal. For more information go to www.irs.gov, First Time Homebuyer Credit.

DID YOU KNOW???

- **The first income tax was so complicated that eight years after Lincoln's assassination it was discovered that Lincoln had overpaid his taxes by \$1,250.00.**
- **The first time a U.S. President had to call out troops to suppress American citizens was when taxpayers revolted against an internal excise tax on whiskey.**

TAX, BUSINESS & MONEY NEWS

Be Aware...Suspicious E-mails and Identity Theft

"IRS Tax Payment Return" emails, *supposedly from the IRS*, have been sent to people stating they are eligible to receive a tax refund by filling out an attached "tax refund request form." This form requests personal and financial information that can be used to steal the identity and access the bank accounts of anyone who responds to this scam.

Remember...the IRS does not initiate taxpayer communications through e-mail nor do they gather information by telephone. In addition, the IRS does not request detailed personal information through e-mail or ask taxpayers for their PIN numbers, passwords or similar secret access information for their credit card, bank or other financial accounts.

If you receive an unsolicited e-mail communication claiming to be from the IRS, please forward the original message to: phishing@irs.gov.

EMPLOYMENT LOSS TAX FACTS

- Severance pay and unemployment compensation are taxable. Payments for any accumulated vacation or sick time are also taxable. You should ensure that enough taxes are withheld from these payments or make estimated payments.
- Generally, withdrawals from your pension plan are taxable unless they are transferred to a qualified plan (such as an IRA). If you are under age 59 1/2, an additional tax may apply to the taxable portion of your pension.

For additional information, please visit www.irs.gov Unemployed Tax Center, or give our office a call.

Do You Know Your Money?

Answer: To mark bills that might fall into Japanese hands during World War II.

Are YOU Ready For Year-End?

It's almost year-end time again! It's time to start tying up all those loose ends and verify your books are in order. The more you get done now, the smoother the rest of the year-end process will be. To help get you started, review our checklist below:

❑ **Set deadlines for everyone.** You can get better control of your time by establishing certain schedules now. For instance, tell contractors they won't get their next check until identification numbers and addresses are received.

❑ **Start reviewing vendor information.** To help you with your 1099 and W-2 filings, make sure you have up-to-date, accurate information for all your employees and vendors, including correct Social Security (SSN) and Taxpayer Identification Numbers (TIN)!

To verify employee SSN's go to: <http://www.socialsecurity.gov/employer/ssnv.htm>

To verify vendor TIN's go to: <http://www.irs.gov/govt/tribes/article/0,,id=131207,00.html> . You must register on the IRS website to be a "e-service user" to have access to this program.

❑ **Order the IRS forms you need (W-2's, W-3's, 1099's etc.) online for delivery by U.S. mail at NO CHARGE!**

Go to: www.irs.gov , Online Services, Order Forms and Publications by U.S. Mail, Online Ordering for Information Returns and Employers Returns.

❑ **Update your corporate books.** As part of the year-end process, corporations should hold an annual meeting and update corporate books. (*Minnesota law requires corporations to hold an annual meeting and keep corporate records.*) Only S and C corporations are required to maintain minutes, LLC's have no such requirement. Items to update and/or include in your corporate book: updated minutes, written consent forms for shareholders/directors, resolutions, issuance/transfer of stock to new or existing shareholders, any purchases of real property, authorization of significant loans/lines of credit or opening of bank accounts. Corporate books should remain in the possession of the corporation (in a safe place) and include all the original documentation regarding the corporation. If you do not have a corporate book, Sannerud, Savarese & Associates is able to help you with that process. Just give us a call!

❑ **Gather all supporting documents** you have (W-2's, 1099's, interest income, property tax statements, new car or home-purchase agreements, medical/dental and misc. expense receipts etc.) to prepare for your 2010 tax appointment. Remember to bring your tax organizer (mailed out to clients in January and also available online: www.sannerudsavarese.com) and all supporting documents to your tax appointment. If you need to schedule/reschedule your tax appointment or need another tax organizer mailed to you, please call our office at 763-434-5929.

TAX, BUSINESS & MONEY NEWS

HEALTH CARE REFORM

Changes Employers Need To Implement This Year 2010:

Extended dependent health care coverage. (September 23, 2010), employers that offer dependent coverage must extend that coverage to all dependent children (even married ones) until their 27th birthday.

Cannot deny children for pre-existing conditions. The new laws prohibit insurers from denying children (dependents under 19) coverage for pre-existing conditions. This prohibition will be extended to all adults in 2014.

No lifetime limits on coverage. The new law also bans health plans from putting lifetime limits on the dollar amount of healthcare coverage. Starting 1/1/2014, insurers won't be able to put annual limits on the cost of coverage.

Reimbursement for retiree coverage. (January 1, 2010), employers who offer health care to retirees ages 55-64 can get some help from the government. The feds will reimburse up to 80% of the cost of retiree benefits-if the coverage has an annual cost greater than \$15,000. The subsidy is good for benefit amounts up to \$90,000.

Changes Employers Need To Implement January 1, 2011:

Employers must report the aggregate cost of employer-sponsored health coverage, not including salary reduction contributions to a health FSA under a cafeteria plan or employer contributions to an HSA on Form W-2. This is a reporting requirement only and **does not increase the employees taxable income.**

The cost of over-the-counter medicines or drugs cannot be reimbursed from any flexible spending account or Health Savings Account (HSA), unless a prescription is obtained. This change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays and deductibles.

The proposed regulations eliminate the ability to make payroll deposits by paper coupon at your bank. Employers will be forced to enroll in the Electronic Funds Transfer Payment System (EFTPS). Using EFTPS provides substantial benefits to both taxpayers and the government. EFTPS users can make tax payments 24 hours a day, seven days a week, and payments can be prescheduled up to 120 days in advance of the desired payment date.

Changes Employers Need To Implement January 1, 2014:

Applicable large employers (employ an average of 50 full-time employees on business days during the preceding calendar year) are required to offer health benefits to employees under qualified health plans or will be held liable for an additional tax. An employer must consider all employees and calculate the number of full-time equivalent employees to determine if it is an applicable large employer. A full time employee is an employee who for any month is employed on average at least 30 hours per week. A small employer is one that does not meet the definition of applicable large employer, and is NOT required to offer health insurance to their employees and are not subject to penalties if they do not offer health insurance.

Coming in 2011...

Affordable Care Act & Medicare

If you have Medicare prescription drug coverage, and aren't already getting Medicare Extra Help, Medicare will automatically send you a tax free, one-time \$250 rebate check after you reach the coverage gap (also called the donut hole-the out of pocket costs you have to pay after you and your plan have spent a certain amount of money for covered drugs) in 2010.

What you need to know:

- There are no forms to fill out. Medicare will automatically send a check that's made out to you. If you do not get your rebate check, contact Medicare at 1-800-MEDICARE.
- Checks will be mailed out monthly throughout the year starting in mid-June.
- You don't have to pay taxes on your \$250 rebate check. It is tax free.
- *Do not provide any personal information like your Medicare, Social Security, or bank account numbers to anyone who calls your about the \$250 rebate check. Call 1-800-MEDICARE to report anyone who does this.*

Individual Health Insurance

Beginning January 1, 2014, most individuals and their dependents must have health insurance coverage.

Specifically, the Affordable Care Act requires applicable individuals to have health insurance that provides minimum essential coverage. Individuals who do not maintain the required health coverage for themselves and their dependents are subject to a penalty that will be included on their personal income tax returns.

Small Employer - Health Insurance Tax Credit

This credit is available to small employers (fewer than 25 employees-more if you have part-time employees-and less than \$50,000 in average wages) that pay at least half the cost of single coverage for their employees in 2010-2013.

Employers are allowed a tax credit up to 35% (25% for tax-exempt employers) of the amount the employer contributes to the cost of employee's health care coverage.

Eligible small businesses can claim the credit as part of the general business credit in 2010. **Make sure to provide your tax preparer with your "employer provided health care information" in order to generate this credit.**

STAFF NEWS & EDUCATION

Introducing...

The staff at Sannerud Savarese & Associates, P.A. welcomes Betsy O'Berry, CPA.

Betsy has 26 years of experience as a CPA, including 17 years spent as a corporate controller. She recently worked as a Tax Manager at Lurie Besikoff Lapidus & Co., LLP and spent 10 years as controller of a family-owned hardware manufacturing company. She has a Bachelor's degree in Accounting from the University of Illinois. Betsy lives in Ramsey with her husband Jeff and son Nick (10). In her spare time, Betsy is the Treasurer of her local League of Women Voters and volunteers at her church and several local and statewide community organizations.

We are excited to have Betsy join our staff at Sannerud Savarese & Assoc., P.A.

Upcoming Education:

Class: Small Business Recordkeeping (Instructor: Sue Savarese, CPA)

Date: October 26, 2010

Location: Staff Development Center, Anoka, MN. For more info. about the class or to register, call: 763-506-5766.

Class: SmallBiz Boot Camp (Instructor: Joe Hesch, Professional Training Director & Industry Experts-including Sue Savarese)

Date: Starts September 22, 2010 (2nd Session)

Location: Anoka Ramsey Community College-Small Business Dev. Ctr. Go to: www.AnokaRamsey.edu/Career for course info.

The staff has attended the following classes:

Sue Savarese: 2010 HealthCare & HIRE Bills (Jennings Seminars), Gear Up Accounting (MAPA)

Dawn Smith: 2010 HealthCare & HIRE Bills (Jennings Seminars), Gear Up Accounting (MAPA)

Paulette Hynes: 2010 HealthCare & HIRE Bills (Jennings Seminars), Risk Mgmt./Navigating The New Frontier, Healthcare Reform (Paychex)

Ruth Hunter: 2010 HealthCare & HIRE Bills (Jennings Seminars), Healthcare Reform (Paychex)

Jody Newlander: 2010 HealthCare & HIRE Bills (Jennings Seminars)

* Staff *

A.M. Sannerud, Founder Certified Public Accountant (Inactive)
 Susan E. Savarese, Managing Partner Certified Public Accountant
 Dawn Smith Certified Public Accountant
 Betsy O'Berry Certified Public Accountant
 Pauline Mittelstaedt Firm Administrator
 Paulette Hynes Enrolled Agent
 Ruth Hunter Staff Accountant
 Jody Newlander Accounting Clerk
 Tracy Slepica Receptionist, "Update" Editor
 Betty Sannerud Support Services
 Mary Lou Michels Custodial Services



From All Of Us At
 Sannerud Savarese & Associates, P.A....
 "Thank you for your business and we wish you
 and your family a wonderful Thanksgiving!"

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