

Cohen Smith & Company, P.A.

NEWSLETTER



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QuickBooks Purchase Discounts and Technical Support

Our newest associate, Alex Evers, CPA, holds the Certified QuickBooks Pro Advisor designation. As a Pro Advisor, Alex receives discounts of 25% to 30% on 2011 versions of QuickBooks and QuickBooks payroll subscriptions. As a service to our clients, with the consent of Intuit, we would like to pass these discounts along. If you are interested, call Alex at our office, who will provide you with a QuickBooks sales

representative to obtain your purchase discount.

In addition to purchase discounts, Alex can assist with QuickBooks technical support. If he is unable to resolve your issue, a QuickBooks support team member can be included in a conference call to resolve your issue without charge from QuickBooks. If



you have any questions give Alex a call.



Year-end Tax Planning - Individuals

There is still time to lower your 2010 tax bill, contribute to your tax-advantaged retirement accounts, and do some tax planning for next year. Following are a few ideas to get you started prior to year-end. Please contact us for additional tax-saving ideas or guidance on tax-related questions.

Contribute to your IRA

You can contribute up to \$5,000 (\$6,000 if you are age 50 or older by year-end) to your IRA in 2010 if certain conditions are met. For married couples, the combined contribution limits are \$10,000 (\$5,000 each) and \$12,000 (\$6,000 each if both are age 50 by year-end) when a joint return is filed, provided one or both spouses had at least that much earned income. These limits apply to the cumulative contributions to traditional and Roth IRAs. In addition, contributions to traditional IRAs may be tax deductible, subject to specific conditions and limitations.

Contribute to your Employer-Sponsored Retirement Plan

The 2010 annual deferral limit for qualified retirement plans is \$16,500. If you are at least age 50 by year-end, you can contribute an additional \$5,500 to 401(k), 403(b), and 457 plans. These contributions normally decrease your taxable income and the income taxes thereon.

Capital Gains

It may be a good time to consider selling capital assets (e.g., common stock) with a low cost basis. The maximum capital gains tax rate in 2010 is 15% for gains from the sale of qualifying assets held more than one year. In fact, taxpayers in the 10% and 15% ordinary tax brackets can do even better by taking advantage of the 0% capital gains rate in 2010. In addition, qualifying dividends

received during 2010 generally will be taxed at the 0% or 15% capital gains rates. At this time, it remains unclear if these favorable rates will continue after 2010.

Energy Credit

If you have not taken advantage of the Nonbusiness Energy Property Credit available in 2009 and 2010, it is a great way to cut energy costs and save up to \$1,500 (for both years combined) in income taxes by making energy efficiency improvements to your principal residence. Basically, if you install energy-efficient doors, windows, roofs, heat pumps, hot water heaters or boilers, or advanced main air circulating fans to your home before year-end, you may be entitled to a tax credit of 30% of the purchase price, up to a maximum credit of \$1,500.



Charitable Gifts

A taxpayer can use either cash or property to make a charitable gift. That choice can affect the taxpayer's overall tax consequences resulting from the gift. For example, a charitably inclined taxpayer may derive greater tax benefits from gifting property to charity rather than selling the property and gifting the proceeds. In addition, consideration should be given to gifting property with unrealized appreciation to maximize the economic benefit from disposing of the property.

Cash contributions are deductible in the year paid. A contribution generally is considered made at the time of delivery. Thus, contributions paid by check are considered made on the date of delivery or mailing (assuming the check subsequently clears in due course).

Contributions charged to a bank credit card are deductible in the year the charge is incurred, even though paid in a later year. Charitable contributions made by credit card may be useful for a taxpayer who anticipates a greater benefit from the contribution in the current year, yet needs to defer payment until the next year.

Please contact us if you have questions concerning charitable deductions and for additional tax-saving guidance.

Year-end Tax Planning - Businesses **Qualified Real Property Expensing**

Under the Small Business Act, for the first time ever, Code Sec. 179 expensing will be available for certain types of real property. Specifically, for any tax year beginning in 2010 or 2011, a taxpayer may elect to treat up to \$250,000 of qualified real property as Code Sec. 179 property. This new opportunity raises important planning implications, including year-end tax planning, for taxpayers able to use this new break.

Qualified real property is:

- A. Qualified leasehold improvement property
- B. Qualified restaurant property
- C. Qualified retail improvement property

The qualified property must be depreciable, acquired for active conduct of a trade or business, and can't be certain ineligible property.

Qualified leasehold improvement property

Qualified leasehold improvement property is an interior improvement to a building that qualifies for bonus first-year depreciation.

In general, qualified leasehold improvement property includes interior improvements to a

building if:

1. The improvement is real property
2. The improvement is made "under or pursuant to a lease"
3. The portion of the building is to be occupied exclusively by the lessee
4. The improvement is placed in service more than 3 years after the date the building was first placed in service

The Code doesn't define what types of building improvements are eligible to be treated as qualified leasehold improvement property. Rather, it lists the types of property that can't be so treated, including:

- ❖ Enlargement of the building,
- ❖ Any elevator or escalator,
- ❖ Any structural component benefiting a common area, and
- ❖ The internal structural framework of the building

What kinds of improvements are qualified leasehold improvements after eliminating those that are ineligible? The following types of improvements would appear to qualify:

- Electrical or plumbing systems (including sprinkler system);
- Permanently installed lighting fixtures;
- Ceilings and doors; and
- Heating equipment (possibly), cooling equipment, air conditioners (possibly), and other air handling equipment.

Qualified restaurant property



Property is qualified restaurant property if it is any real property which is a building or an improvement to a building, if more than 50% of the building's square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.

Qualified retail improvement property

Qualified retail improvement property is any improvement to an interior portion of a building that is nonresidential real property if:

- ✚ That portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and
- ✚ The improvement is placed in service more than 3 years after the date the building was first placed in service.

Qualified retail improvement property does not include any improvement for which the expenditure is attributable to the enlargement of the building, any elevator or escalator, any structural component benefitting a common area, or the internal structural framework of the building. (Code Sec. 168(3)(8)(C))


Election and Dollar Limitations

To use the expensing break for qualified real property, the taxpayer must first elect under Code Sec. 179 to treat the cost of the property as not chargeable to capital account. Second, he must elect under Code Sec. 179 (f) to treat qualified real property as Code Sec. 179 property. There are also two dollar limitations at play: The overall \$500,000 dollar limitation (for 2010 and 2011) on the Section 179 expense deduction, and the \$250,000 per-tax-year limitation on the aggregate cost of qualified real property

that may be treated as Code Sec. 179 property for 2010 and 2011.

Last Year for Extra-Generous Luxury Auto Depreciation Limits

If bonus first-year depreciation deductions come to an end at the close of 2010, so will the extra-generous first-year dollar limit on autos, light trucks and vans subject to the Code Sec. 280F "luxury auto" rules.

Under Code Sec. 280F, depreciation deductions (including Code Sec. 179 expensing) that can be claimed for passenger autos is subject to dollar limits that are annually adjusted for inflation. For passenger automobiles placed in service in 2010, the adjusted first-year limit generally is \$3,060. For light trucks or vans, the adjusted first year limit generally is \$3,160. Light trucks or vans are passenger automobiles built on a truck chassis, including  minivans and sport-utility vehicles (SUVs) built on a truck chassis that are subject to the Code Sec. 280F limits because they are rated at 6,000 points gross (loaded) vehicle weight or less.

However, for new vehicles bought and placed in service in 2010, and that qualify for bonus first-year depreciation, the first-year dollar limit is increased by \$8,000 for autos (not trucks or vans), and \$11,160 for light trucks or vans. These boosted dollar amount apply only for vehicles bought and placed in service before 2011. As a result, taxpayers thinking of buying a new auto, light truck or van for trade or business use should buy the vehicle and place it in service this year if they want to maximize first-year deductions.

Note:

Heavy SUVs – those that are built on a truck chassis and are rated at more than 6,000 pounds gross (loaded) vehicle weight are exempt from the luxury-auto dollar caps because they fall outside of the definition of a passenger auto. Under Code Sec. 179(b)(6), not more than \$25,000 of the cost of a heavy SUV may be expensed under Code Sec. 179. The balance of the heavy SUV's cost may be depreciated under the regular rules that apply to 5-year MACRS property. However, with the 50% first year bonus depreciation available for qualified assets bought and placed in service in 2010 (in addition to the \$25,000 expensing allowances and regular depreciation), taxpayers buying and placing in service new heavy SUVs in 2010 may be entitled to write off most of the cost of the vehicle.



Tax Calendar

NOVEMBER 2010

November 1

Social Security, Medicare, and withheld income tax - File Form 941 for the third quarter of 2010. Deposit any undeposited tax. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until November 10 to file the return.

Federal unemployment tax. Deposit the tax owed through September if more than \$500.

November 10

Social Security, Medicare, and withheld income tax. File Form 941 for the third quarter of 2010. This due date applies only if you deposited the tax for the quarter in full and on time.

Employees who work for tips. If you received \$20 or more in tips during October, report them to your employer. You can use Form 4070.

DECEMBER 2009

December 10

Employees who work for tips. If you received \$20 or more in tips during November, report them to your employer. You can use Form 4070.

December 15

Calendar-year corporations must deposit the fourth installment of estimated income tax for 2010.

Employers - For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments for November if the monthly rule applies.

Other helpful line services



www.IRS.gov www.MyFlorida.com
&
www.Volusia.org