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Disaster Preparedness

Although the likelihood of a catastrophic disaster affecting any of us is low, this past year has seen tornadoes touch down in several Metro-east locations. What should we do to protect our records in light of the potential disaster?

Backup Records Electronically

First, taxpayers should create an electronic backup copy of their records. Even if the original records are in paper form, they can be scanned and saved digitally to an external hard drive or burned to a CD or DVD. This backup set should be kept in a safe place and stored away from the original set.

Document Valuables

Photographing or videotaping the contents of one's home, especially higher value items, is one way to document valuables. The IRS has a disaster loss workbook, Publication 584, which can help taxpayers compile a room by room list of belongings.



Update Emergency Plans

Emergency plans should be reviewed on an annual basis. Preparedness needs, as well as personal and business situations, change over time. When employers hire new employees, plans should be updated accordingly and employees informed of the changes.



From the Principals

Unlike the St. Louis Cardinals, your season is not over. Yes, the trees have turned colors and lost their leaves and the temperatures have dropped, but the squirrels are storing nuts and making plans for the future. Now is your time to think about the future and the year-end deadlines and planning you need to consider in order to minimize your tax burden for 2009.

The first time homebuyer credit (not a deduction) of up to \$8,000 is something which might put you in the market. The definition of a "first time home buyer" is not what you might think. If you haven't owned a principal residence for three years you are in luck. All you need to do is close by April 30, 2010 and transfer title by June 30, 2010. This deadline was extended from November 30, 2009, but with several changes including a rise in income limits, new restrictions and a "long-term resident" credit. More information can be found at the Internal Revenue Service website (www.irs.gov).

What about a new car? You can deduct the sales tax paid on a new (not used) car purchased between February 17 and December 31, 2009, regardless of whether you

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Call for Help

The IRS is ready to help taxpayers if

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Individual Tax Return Items

The standard deduction, exemption amount and individual tax rate brackets are adjusted annually for cost-of-living increases. The adjustments are based on the average Consumer Price Index (CPI) for the 12-month period ending the previous August 31. Because of the extremely low inflation over the past 12 months, for the first time ever, many key items will not increase next year or will increase only slightly. Items that won't increase include the personal exemption and the standard deduction for all but head of households. Some tax brackets will remain the same but most will increase slightly.

The basic standard deduction for 2010 will be:

Joint return or surviving spouse	\$11,400
Single	\$5,700
Head of household	\$8,400
Married filing separate returns	\$5,700



The personal exemption amount for 2010 will be \$3,650 (same as for 2009).

For tax years beginning after 2009, the rules phasing out personal exemptions of higher income taxpayers no longer apply. Of course, Congress could restore the phaseout in an effort to fund health care reform or other costly items. But as of now, the rules terminate after this year.

For tax years beginning after 2009, the overall limitation on itemized deductions of higher income taxpayers no longer applies. Congress also could restore this limitation in an effort to raise revenue.

Absent a law change, the amount that may be expensed under Code Section 179 for 2010 will be \$134,000 (down from \$250,000 for 2009). For 2010, the expensing limit will be reduced when more than \$530,000 of expensing-eligible property is placed in service (down from \$800,000 for 2009).

Points to Ponder

The Calendar: Years, Months, Weeks and Days

Years are fairly straightforward. A year is defined as the amount of time it takes for the Earth to orbit the sun one time. It takes about 365 days to do that. If you measure the exact amount of time it takes for the Earth to orbit the sun, the number is actually 365.242199 days (according to Encyclopedia Britannica). By adding one extra day to every fourth year, we get an average of 365.25 days per year, which is fairly close to the actual number. This is why we have leap years that are one day longer than normal years.

Months are a little more complex. The moon is where the concept of a month comes from. The main problem is that moon cycles, at 29.5 days, do not divide evenly into the 365.25 days of a year. Because of this and the original Roman calendar consisting of only 10 months, 60 or so days were left unaccounted for. The months of Januarius and Februarius were later added to the end of the year to account for the 60 spare days. Julius Caesar later changed the calendar to make these the first and second months.

Weeks come straight out of the Bible: Remember the Sabbath day, to keep it holy. Six days shalt thou labor, and do all thy work, but the seventh day is the Sabbath of the Lord thy God. (Exodus 20:8)

Days of the week were given names by the Romans who based them on the sun, the moon and the names of the five planets known to the Romans: Sun, Moon, Mars, Mercury, Jupiter, Venus, Saturn. These names actually carried through to European languages fairly closely, and in English the names of Sunday, Monday and Saturday made it straight through. The other four names were replaced with Anglo-Saxon names honoring Norse gods: Tiw (god of war), Woden (a supreme deity), Thor (god of thunder) and Frigg (wife of Woden - representing love and beauty).

(Disaster Preparedness, continued from page 1)

disaster strikes. The affected taxpayer can call 1-866-562-5227 to speak to an IRS specialist trained to handle disaster-related issues. Copies of previously filed tax returns, including Forms W-2, can be requested. There is no fee for a tax return copy for a taxpayer located in a federal disaster area qualifying for individual assistance.

Source: www.irs.gov

(From the Principals, continued from page 1)

itemize or not. This deduction is limited to the sales tax on the first \$49,500 of a vehicle's price. It also starts to phase out for single taxpayers with adjusted gross incomes in excess of \$125,000 and married taxpayers with adjusted gross income in excess of \$250,000.

As the temperatures drop you will not want to forget about the energy saving deductions and credits. In addition to saving energy (= cash), you will save taxes by replacing and installing certain windows, insulation and furnaces. Installing geothermal systems will also lower the tax burden.

Year-end is also a good time to consider taking investment losses to offset any investment gains. Keep in mind, however, that your losses in excess of gains will only be deductible up to \$3,000 per year. Any excess losses will be carried forward to offset future gains.

To make yourself feel good and also get a tax deduction (if you can itemize) at the same time, do not forget to consider gifts to qualified charities by December 31, 2009.

Please do not hesitate to contact AKS if you have any questions relating to these or other tax considerations.

What Others Say About Retirement

"Don't simply retire from something, have something to retire to."

Harry Emerson Fosdick

"When a man retires, his wife gets twice the husband but only half the income."

Chi Chi Rodriguez

"There are some who start their retirement long before they stop working."

Robert Half

"When you retire, you switch bosses - from the one who hired you to the one who married you."

Gene Perret



"Retirement at sixty-five is ridiculous. When I was sixty-five I still had pimples"

George Burns

"The trouble with retirement is that you never get a day off."

Abe Lemons

"The money's no better in retirement but the hours are."

Anonymous

Staff List

Principals

Henry C. Siekmann, CPA
 Larry M. Rose, CPA
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 Laura A. Showmaker



*Have a
 joyous
 holiday
 season!*

REMINDER: For Those With Large Year-End Payrolls

If you accumulate a tax liability (reduced by any advance EIC payments) of \$100,000 or more on any day during a deposit period, you must deposit the tax by the next banking day, whether you are a monthly or semiweekly schedule depositor. The deposit period for monthly schedule depositors is a calendar month. For semiweekly schedule depositors, the deposit periods are Wednesday through Friday and Saturday through Tuesday.

For purposes of the \$100,000 next-day deposit rule, do not continue accumulating tax liabilities after the end of a deposit period. For example, if a semiweekly schedule depositor has accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a \$10,000 liability on Wednesday, the \$100,000 next-day deposit rule does not apply. Therefore, \$95,000 must be deposited by Friday and \$10,000 by the following Wednesday.

In addition, once you accumulate at least \$100,000 in a deposit period, stop accumulating at the end of that day and begin to accumulate anew the next day. For example, a company is a semiweekly schedule depositor. On Monday, it accumulates taxes of \$110,000 and must deposit this amount on Tuesday, the next banking day. On Tuesday, the company accumulates additional taxes of \$30,000. Because the \$30,000 is not added to the previous \$110,000 and is less than \$100,000, the company must deposit the \$30,000 by Friday, following the semiweekly deposit schedule.

If you are a monthly schedule depositor and accumulate a \$100,000 tax liability on any day, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year.

Example of \$100,000 next-day deposit rule. A company started its business on April 4, 2006. On April 11, it paid wages for the first time and accumulated a tax liability of \$40,000. On April 18, the company paid wages and accumulated a liability of \$60,000, making its accumulated Form 941 tax liability total \$100,000. Because this was the first year of its business, the tax liability for its lookback period is considered to be zero, and it would be a monthly schedule depositor based on the lookback rules. However, because the company accumulated \$100,000 on April 18, it became a semiweekly schedule depositor on April 19. It will be a semiweekly schedule depositor for the remainder of 2006 and for 2007. The company is required to deposit \$100,000 by April 19, the next banking day.

Comings & Goings

Henry, Rick, Andrea, Mike, Julie, Kallan and Doris attended the University of Illinois Income Tax School.

Rick also attended the following seminars: Trust Taxation Update and Issues, Advanced S Corporation Issues, and the Tax Seminars Update.

Larry completed a course titled "What's New From Intuit for Accounting Professionals".

Tax Advice Notice

IRS Circular 230 requires us to advise you that, if this communication or any attachment contains any tax advice, the advice is not intended to be used, and cannot be used, for the purpose of avoiding federal tax penalties. A taxpayer may rely on professional advice to avoid federal tax penalties only if the advice is reflected in a comprehensive tax opinion that conforms to stringent requirements. Please contact us if you have any questions about Circular 230 or would like to discuss our preparation of an opinion that conforms to these IRS rules.