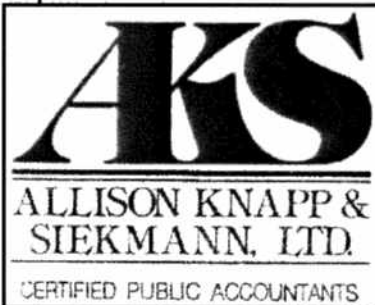


ALLIANCE



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2010 HIRE Act

The President recently signed into law the "Hiring Incentives to Restore Employment Act of 2010" (the 2010 HIRE Act), the centerpiece of which is a payroll tax holiday and up-to-\$1,000 tax credit for businesses that hire unemployed workers. Here's an overview of these new hiring incentives.

To help stimulate the hiring of workers by the private sector, the new law exempts any private-sector employer that hires a worker who had 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. A company could save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800 - the maximum amount of wages subject to Social Security taxes - by the end of the year. As an additional incentive, for any qualifying worker hired under this initiative that the employer keeps on payroll for a continuous 52 weeks, the employer is eligible for an additional non-refundable tax credit of up to \$1,000 after the 52-week threshold is reached, to be taken on their 2011 tax return. In order to be eligible, the employee's pay in the second 26-week period must be at least 80% of the pay in the first 26-week period.



Workers hired after the date of introduction of the legislation (February 3, 2010) are eligible for the payroll tax forgiveness and the retention bonus, but only wages paid after the date of the new law's enactment receive the exemption for payroll taxes.

Here are some additional features of the new hiring incentive:

- There is no minimum weekly number of hours that the new employee must work for the employer to be eligible, and there is no maximum on the dollar amount of payroll taxes per employer that may be forgiven.

In This Issue . . .

- 2010 HIRE Act, Page 1
- From the Principals, Page 1
- 2010 Health Reform - Tax Changes Affecting Small Business, Page 2
- Important Notices, Page 3
- What the Founding Fathers Said, Page 3
- Happy Retirement!, Page 4
- Comings & Goings, Page 5
- Staff List, Page 5

- An employer can't claim the new tax breaks for hiring family members.

(continued on page 3)



From the Principals

I recently talked to a college roommate of mine. It was nice to reminisce about college and talk about our pending 25th reunion. I learned a lot of lessons in college, but most of the lessons had nothing to do with book learning. Many of you have probably found the same to be true in your businesses. So, without further ado, here are a few of the lessons I learned.

What seems like a good thing may not always be so. The building my friend and I lived in when we were roommates had very limited parking. Any time someone got the first spot by the back door, they typically were hesitant to move their car and lose the spot. During the spring, another friend of ours brought his car to school and miraculously found the first spot empty. He kept talking about what great luck he had. However, the next morning, what appeared to have been a good thing actually was far from it. The crank window above his spot had actually come unbolting and fallen on his car that night, denting the hood and breaking off his rear view mirror. After that, none of us cared about getting the first spot.

Some things just defy logic. Once, a couple of buddies and I went fishing. During a couple of hours fishing, we only caught one

(continued on page 4)

2010 Health Reform - Tax Changes Affecting Small Business

For owners of small businesses and their workers, the recently enacted health reform legislation has some key provisions to pay attention to. The major ones include: tax credits, excise taxes, and penalties. But whether a business will be affected by them depends on a variety of factors, such as the number of employees the business has. Here is an overview of the provisions in the new law with the biggest impact on small business. Please call our offices for details of how the new changes may affect your specific business.

Tax credits to certain small employers that provide insurance. The new law provides small employers with a tax credit (i.e., a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees. The credit can offset an employer's regular tax or its alternative minimum tax (AMT) liability.



Small business employers eligible for the credit. To qualify, a business must offer health insurance to its employees as part of their compensation and contribute at least half the total premium cost. The business must have no more than 25 full-time equivalent employees (FTEs), and the employees must have annual full-time equivalent wages that average no more than \$50,000. However, the full amount of the credit is available only to an employer with 10 or fewer FTEs and whose employees have average annual full-time equivalent wages from the employer of less than \$25,000.

Years the credit is available. The credit is initially available for any tax year beginning in 2010, 2011, 2012, or 2013. Qualifying health insurance for claiming the credit for this first phase of the credit is health insurance coverage purchased from an insurance company licensed under state law. For tax years beginning after 2013, the credit is only available to an eligible small employer that purchases health insurance coverage for its employees through a state exchange and is only available for two years. The maximum two-year coverage period does not take into account any tax years beginning in years before 2014. Thus, an eligible small employer could potentially qualify for this credit for six tax years, four years under the first phase and two years under the second phase.

Calculating the amount of the credit. For tax years beginning in 2010, 2011, 2012, or 2013, the credit is generally 35% (50% for tax years beginning after 2013) of the employer's nonelective contributions toward the employees' health insurance premiums. The credit phases out as firm-size and average wages increase. Tax-exempt small businesses meeting these requirements are eligible for payroll tax credits of up to 25% for tax years beginning in 2010, 2011, 2012, and 2013 (35% in tax years beginning after 2013) of the employer's nonelective contributions toward the employees' health insurance premiums.

The employer is entitled to a deduction equal to the amount of the employer contribution minus the dollar amount of the credit.

Self-employed individuals, including partners and sole proprietors, two percent shareholders of an S corporation, and five percent owners of the employer are not treated as employees for purposes of this credit. Any employee with respect to a self-employed individual is not an employee of the employer for purposes of this credit if the employee is not performing services in the trade or business of the employer. Thus, the credit is not available for a domestic employee of a sole proprietor of a business. There is also a special rule to prevent sole proprietorships from receiving the credit for the owner and their family members. Thus, no credit is available for any contribution to the purchase of health insurance for these individuals and the individual is not taken into account in determining the number of full-time equivalent employees or average full-time equivalent wages.

Most small businesses exempted from penalties for not offering coverage to their employees. Although the new law imposes penalties on certain businesses for not providing coverage to their employees (so-called "pay or play"), most small businesses won't have to worry about this provision because employers with fewer than 50 employees

(continued on page 5)

(2010 HIRE Act, continued from page 1)

- A worker who replaces another employee who performed the same job for the employer is not eligible for the benefit, unless the prior employee left the job voluntarily or for cause.
- For the hiring to qualify, the new hire must sign an affidavit, under penalties of perjury, stating that he or she has not been employed for more than 40 hours during the 60-day period ending on the date the employment begins.
- The payroll tax holiday does not apply with respect to wages paid during the first calendar quarter of 2010, but the amount by which the Social Security payroll tax would have been reduced under the payroll tax holiday provision during the first calendar quarter is applied against the tax imposed on the employer for the second calendar quarter of 2010.
- The credit for retaining qualifying new hires is the lesser of \$1,000 or 6.2% of the wages paid by the taxpayer to the retained worker during the 52-consecutive week period. Thus, the credit for a retained worker will be \$1,000 if, disregarding rounding, the retained worker's wages during the 52-consecutive-week period exceed \$16,129.03. However, the credit is not available for pay not treated as wages under the Code (e.g., remuneration paid to domestic workers).

We hope this information is helpful. If you would like more details about these provisions or any other aspect of the new law, please do not hesitate to call.

Important Notices

- **8109 Federal Tax Deposit Coupons.** A growing number of banks will no longer accept Form 8109 coupons for payments of federal tax liability. Businesses are encouraged to be proactive and enroll in EFTPS (electronic federal tax payment system) in the event they need to make payments electronically. Contact EFTPS Customer Service at (800) 555-4477 or visit www.eftps.gov for enrollment.
- **Wage increases.** The Illinois minimum wage increases to \$8.25 per hour on July 1, 2010.
- **COBRA Subsidy.** The Continuing Extension Act of 2010, enacted April 15, reinstated the COBRA subsidy, which had expired on March 31. As a result, workers who are involuntarily terminated from employment between September 1, 2008 and May 31, 2010, may be eligible for a 65% subsidy of their COBRA premiums for a period of up to 15 months. In some cases, workers who had their hours reduced and later lose their jobs may also be eligible for the subsidy.

There is much more information about the COBRA subsidy, including questions and answers for employers, and for employees or former employers, on the COBRA pages of www.irs.gov.

What The Founding Fathers Said

"Then join in hand, brave Americans all! By uniting we stand, by dividing we fall."

John Dickinson

"The world is my country, all mankind are my brethren, and to do good is my religion."

Thomas Paine



"Constitutions should consist only of general provisions; the reason is that they must necessarily be permanent, and that they cannot calculate for the possible change of things."

Alexander Hamilton

"The U. S. Constitution doesn't guarantee happiness, only the pursuit of it. You have to catch up with it yourself."

Benjamin Franklin

"I am for freedom of religion and against all maneuvers to bring about a legal ascendancy of one sect over another."

Thomas Jefferson

"To be prepared for war is one of the most effectual means of preserving peace."

George Washington

Happy Retirement!

It is with sadness, but with many good wishes, that we say goodbye to Kathy Funke and Lorraine Vernier. Both were long-time employees of AKS who retired in December.



On February 5th, at Chevy's in O'Fallon, we held a retirement luncheon for Lorraine and Kathy. Also joining us was Kathy's husband, Bob.

Kathy had been employed by the firm since October 1981. She worked part-time and then full-time as a secretary and most recently was the office manager.

Now that she is living the life of leisure, she has plenty of time for the things she enjoys - going to the YMCA with Bob, reading, playing the slots and spending time with her grandkids.

Lorraine also had been employed by AKS since October 1981. She was responsible for cleaning up after all of us for these past 28 years!

Now that Lorraine has plenty of free time she is enjoying her gardening and spending time with her grandkids.

We have already had time to realize how much we will miss them both and we wish them all the best in the future!



(From the Principals, continued from page 1)

small fish - but between us we must have caught it at least a half dozen times. At one point, I think each of us caught it once in a ten minute span.

Never take anything for granted. I took three semesters of calculus in college. The first semester I got an A, and the course seemed quite easy. The second semester started out much the same; I got a 100 on the first test. The second test was hard, so much so that I thought I might have gotten a C on it. The graded tests were returned. I looked at mine - 18! At first I thought perhaps I had it upside down, but that was not the case. I looked at several of my friends' tests - 24, 30, you get the picture. The highest grade (in my defense) was in the 60's, but I learned that taking something for granted can come back to burn you.

Sometimes it just pays to be lucky. One year, I lived on the same floor as a rather hot-headed individual. When his girlfriend broke up with him, he punched a hole straight through the wall so that you could see into the room from the hallway. School officials kept questioning him about the incident because they could not believe he was lucky enough to punch the one spot where he didn't hit something inside the wall.

Look for opportunities. Most college students could use a few dollars each week for the occasional pizza, bookstore purchase, you name it. I was no different. For whatever reason, I was never able to land a university job during the later part of my sophomore year. At the beginning of my junior year, the university had awarded a new company the contract for linen service. When I picked up my linen on the first day, on the spur of the moment, I asked if they needed any help. Guess what? I ended up working there for my last two years at school.

Know when to concede. As an undergraduate in geology, typically two or three afternoons a week were spent in a lab, almost all of which were outside. In many cases we would be climbing over rocks beside major roadways. One day, it was pouring down rain. Most of us had trouble at our first stop just keeping our notes dry. After we boarded the van to head to the next stop, our professor turned to us and said that we had two choices. We could go to the next stop and continue to get drenched, or we could go to the Woolrich outlet store that was close by. Guess which option we chose?

Staff List

(2010 Health Reform - Tax Changes Affecting Small Business, continued from page 2)

Principals

Henry C. Siekmann, CPA
 Larry M. Rose, CPA
 Richard E. Reno, CPA
 Annette M. Hipkiss, CPA
 Dean S. Salvatore, CPA

Accounting Staff

Andrea N. Suhre, CPA
 Michael J. Bress, CPA
 Julie E. Visintine
 Kallan G. Virgin

Bookkeeping

Doris A. Waeltz
 Betty Petryk
 Charlene M. Wilson
 Cathy Favre

Clerical Staff

Michelle K. Tedford-Hudzik
 Laura A. Showmaker

aren't subject to the "pay or play" penalty. For businesses with at least 50 employees, the possible penalties vary depending on whether or not the employer offers health insurance to its employees. If it does not offer coverage and it has at least one full-time employee who receives a premium tax credit, the business will be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment. So, for example, an employer with 51 employees who doesn't offer health insurance to his employees will be subject to a penalty of \$42,000 (\$2,000 multiplied by 21). Employers with at least 50 employees that offer coverage but have at least one full-time employee receiving a premium tax credit will pay \$3,000 for each employee receiving a premium credit (capped at the amount of the penalty that the employer would have been assessed for a failure to provide coverage, or \$2,000 multiplied by the number of its full-time employees in excess of 30). These provisions take effect January 1, 2014.

The "Cadillac tax" on high-cost health plans. The new law places an excise tax on high-cost employer-sponsored health coverage (often referred to as "Cadillac" health plans). This is a 40% excise tax on insurance companies, based on premiums that exceed certain amounts. The tax is not on employers themselves unless they are self-funded. However, it is expected that employers and workers will ultimately bear this tax in the form of higher premiums passed on by insurers.

We hope this information is helpful. If you would like more details about these provisions or any other aspect of the new law, please do not hesitate to call.



You have to love a nation that celebrates its independence every July 4, not with a parade of guns, tanks, and soldiers who file by the White House in a show of strength and muscle, but with family picnics where kids throw Frisbees, the potato salad gets iffy, and the flies die from happiness. You may think you have overeaten, but it is patriotism.

~Erma Bombeck

Comings & Goings

Annette, Andrea and Julie attended the 2009 School Districts and Related Single Audit Report Review.

Henry, Larry and Dean attended the GAAP Basis Governmental Report Review; Mike and Kallan attended the Modified Cash Basis Governmental Report Review; and Andrea attended the Advanced Governmental Report Review.

Larry, Rick, Annette and Dean attended the Annual Tax Update for 2009.

Larry, Annette, Dean, Andrea, Julie, Mike and Kallan attended the Government Conference in Springfield, Illinois.

Larry also attended the Information Technology Conference and completed the QuickBooks 2010 Certification Course and Exams.

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.