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Financial Services & CPAs

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Dear Clients:

It's year end planning time. Unless a major act gets passed, **taxes are going up for next year** -- and pretty significantly. This is the year to really sharpen the pencil on your year end planning. Please make sure you call the office to set up an appointment as soon as possible.

The Healthcare Act is significantly going to increase your cost of doing business with changes not only to healthcare, but to reporting on 1099's and additional taxes on your passive income. Below are some highlights of the **Small Business Jobs Act**, which is a small band-aid for what is ahead.

Many of the Act's provisions are retroactively effective (i.e., not just effective from the date the President signed the Act into law) and so have more of an impact on the 2010 tax year:

- The increased **Code Sec. 179 expensing** (\$500,000 limit, with \$2 million phaseout threshold) and the qualified real property expensing (\$250,000 limit) apply for tax years beginning in 2010 and 2011.
- Revived **50% bonus depreciation** (and a new long-term contract accounting rule for bonus depreciation) and an additional \$8,000 luxury auto depreciation limit applies for qualified property placed in service in 2010 (as well as 2011 for certain aircraft and long production period property).
- **Cell phones are no longer "listed property"** (subject to strict substantiation rules) for tax years beginning after 2009.
- An increased **startup expense deduction** (\$10,000 limit, with \$60,000 phaseout threshold) applies for tax years beginning after 2009 and before 2011.
- Eligible small business credits that are determined in a taxpayer's first tax year beginning in 2010 but are unused are eligible for 5-year carryback.
- Eligible small business credits determined in tax years beginning in 2010 can offset AMT liability and, to an increased extent, regular tax liability for credits determined in tax years beginning after 2009.

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· **Health insurance costs for a taxpayer (and family) are deductible in computing 2010 self-employment tax.**

· The controversial Code Sec. 6707A penalty for a failure to report a tax shelter transaction is completely restructured for penalties assessed after 2006.

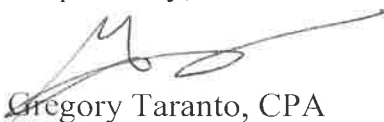
Prospective changes. A number of the Act's provisions apply after 2010: the temporary reduction in the S corporation's built-in gain period (from 7 to 5 years); the partial annuitization of nonqualified annuities; permitting Code Sec. 457 governmental plan to include a qualified Roth contribution program; the information reporting requirement for rental income from realty, and the increased information return penalty and failure to furnish payee statement penalty. And, the accelerated estimated tax for large corporation (assets of at least \$1 billion) applies to estimated tax otherwise due in July, Aug., or Sept. 2015.

Please remember that we offer a full range of financial services including investment, insurance, estate and retirement planning and would be happy to assist you with any needs in these areas. Our website, www.tarantoassociates.com, has a multitude of planning ideas, calculators and newsletters. There is also a calendar that highlights pertinent filing dates throughout the tax year.

Remember, for S Corporations, personal use of company auto, shareholder health insurance and other fringe benefits must be calculated and added to your W-2 by December 31, 2009.

Thank you for your business and I look forward to working with you.

Respectfully,



Gregory Taranto, CPA