

SOLUTIONS

July ♦ 2010

Professionally Speaking

CONGRATULATIONS to Linda Nitterauer, CPA, who recently became an Intuit QuickBooks Certified ProAdvisor®. Certified ProAdvisors are QuickBooks experts who have passed a rigorous Certification exam. As a specially trained ProAdvisor, Linda joins Madeline Weinrebe, CPA at St. Clair CPAs, P.C. in helping clients maximize their use of QuickBooks to streamline operations, improve reporting, control cash flow, and save time and money.

Coming Fall 2010: Madeline and Linda will offer half-day classes to teach businesses how to implement QuickBooks and/or put QuickBooks to better use. Watch for emails announcing new classes or call 610.862.1998 for information.

We're proud to welcome our staff back to school at **St. Clair CPA University**—a newly formed, year-round, in-house training program designed to enhance our team's professional capability to provide clients with the highest standards of service. While ongoing classes in accounting, auditing, and tax services will keep our firm at the forefront of important legislative, regulatory and technical changes, St. Clair CPA University also aims to:

- ◆ Help members of the St. Clair CPA Solutions team achieve their personal and professional goals for maximum effectiveness and efficiency.
- ◆ Empower all team members to make positive contributions that benefit the firm's employees and clients individually and collectively.
- ◆ Create an engaging, enthusiastic, comfortable, and meaningful workplace that promotes well-being and values each individual.

St. Clair CPA University represents our sincere commitment to providing our employees with opportunities for high quality professional development. Thanks to our Managers Tom Krauss, Cheryl Post, Joe LePera, and Fran Sperling Feldbaum for their leadership in developing this important program.

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St. Clair CPA Solutions

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St. Clair CPAs, P.C.

CPA Financial Group, LLC

Dear Clients and Friends

Coping with Health Care Reform's New Tax Laws

While most eyes are examining the health care aspects of the landmark Health Care Reform Bill passed by Congress on March 23, 2010, our staff is focused on the Tax Code and the role of tax law as it relates to the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010. Both of these Acts rely heavily on tax credits and subsidies to expand health coverage, and impose penalties, fees, and surtaxes to pay for it. As both Acts also delay the effective dates for many of the provisions, now is the time to understand how health care reform may affect you, and engage in strategic planning to minimize any negative impact and maximize tax advantages.

New Taxes and Penalties

Individuals and employers alike will be subject to new taxes and penalties effective immediately and extending forward for nearly a decade. For example, the impact on individuals includes increases in Medicare taxes on income and investment income for those with an AGI in excess of \$200,000 (\$250,000 for joint filers) and limitations on health flexible savings account expenditures. Large employers may be penalized if they don't provide a minimum level of health insurance for employees by 2014, and high-cost "Cadillac" employer-sponsored health coverage will be subject to a 40% excise tax in 2018.

The good news is that small employers with less than 25 full-time equivalent (FTE) employees are immediately entitled to a 35% tax credit on the cost of providing employee health coverage, and that this credit rises to 50% for tax years 2014 and later. For not-for-profit organizations with less than 25 FTEs, the tax credit is 25% through 2013 and 35% thereafter.

Tax-paying companies will claim the credit as a general business credit on the company's annual income tax return, but if the business does not owe any income taxes in the current tax year, it cannot claim the credit. However, the credit can generally be carried back one year or carried forward up to 20 years. The company's tax deduction for health insurance costs will also be reduced by the amount of the

credit. The IRS has not yet given any guidance on how this credit will be claimed on pass-thru entities, and will provide further information as to how tax-exempt companies may claim the tax credit as a refundable credit.

Tax Incentives

A handful of tax incentives are designed to assist individuals and businesses as well. Among the most notable of these are the ability of parents to immediately cover adult children up to age 27 under their tax-qualified employer-provided health plans; and the unveiling of a simplified cafeteria plan specifically tailored to small businesses, starting in 2011.

Exchanges

The health care reform package requires each state to establish an exchange by 2014 to help individuals and qualified employers obtain coverage, which will be offered at various levels. Depending on an individual's income and whether or not coverage is provided by his employer, qualified individuals may be eligible for premium assistance tax credits, cost-sharing, or vouchers to help pay for coverage obtained through the insurance exchange.

IRS Guidance

Accountants, businesses, and individuals are eagerly awaiting guidance from the IRS and other federal agencies on the specifics of complying with the many new provisions mandated by the massive health care reform package. In the near future, the IRS is expected to issue guidance on provisions with effective dates in 2010 and 2011.

Support

St. Clair CPA Solutions is closely monitoring the requirements of new health care reform legislation and related tax laws, as well as IRS guidance as it is released. Our goal is to help our clients achieve the best possible outcomes under the new law by ensuring compliance, taking advantage of all tax-reduction opportunities, and mitigating any potential taxes, fees, and penalties. Please contact us if you have any questions about health care reform and its impact on your business, organization, or personal situation.



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Attention Philadelphia Taxpayers:

Did you incur Philadelphia Business Taxes (Net Profits or the Net Profit portion of the Business Privilege Tax) through a business concentrated in the manufacture, production, or growth of tangible personal property in whole or in significant part within the U.S.; or the construction of real property in the U.S.; or the performance of engineering or architectural services in the U.S. in connection with real property construction projects in the U.S.?

If your business was involved in any of these activities, you may be entitled to reduce or even apply for a refund of taxes paid to the City of Philadelphia over the past three years.

St. Clair CPAs, P.C. has recognized that between the federal tax incentives passed over the last few years and various state and local governments de-coupling from those incentives, there is much

confusion about which incentives are allowable by the state and local jurisdictions. We have been aggressively reviewing the tax incentives and testing the waters on the deductibility of those incentives at the state and local level, and have proven successful in pursuing significant deductions on behalf of our clients. Our proactive approach has already saved clients thousands of dollars in tax savings and/or refunds simply by amending returns that are still within statute and filing petitions for refunds.

Owners of manufacturing or construction-oriented companies should contact us as soon as possible to discuss your eligibility for a reduction or refund of Philadelphia Business Taxes. We look forward to helping you benefit from this significant but often overlooked opportunity.

Guarding Against Market Volatility with Total Return Funds and Non-Correlating Assets

When American economist and Nobel Prize winner Harry Markowitz launched Modern Portfolio Theory with his 1952 publication of a model to optimize portfolio selection, he formalized what investors intuitively knew to be true: that diversifying an investment portfolio makes good common sense.

Since then, further research into asset allocation and fund performance has demonstrated that a portfolio's mix of asset classes may be the single most important factor in reducing risk and yielding long-term positive results for individual investors. In fact, many investment experts and fund managers are subscribing to the theory that the selection of assets has more impact on return than when those assets are bought and sold.

Taking that assumption one step further, diversifying a portfolio with non-correlating assets is becoming an increasingly popular and accepted way of balancing risk and reward. Because non-correlating assets perform differently (from each other) in different market conditions, a portfolio that blends traditional equity and fixed income investments like stocks, bonds, mutual funds, and even real estate with investments in other sectors or commodities and/or alternative investments like hedge funds and managed futures may be better positioned to weather volatile markets. The

key is in diversifying not only by investment type, sector, and geography; but also by investment strategy and trading techniques, as well. The goal is to comprise a portfolio of assets that have little or zero correlation to each other, so that in stormy market conditions all of the assets do not move up and down together.

Until recently, individual investors and financial advisors cherry-picked assets to build portfolios of non-correlating assets: a process that required broad and deep research across a wide spectrum of investments. Now certain companies are switching the burden of that research to experienced fund managers in Total Return and alternative funds who employ time-tested strategies that result in a balanced total return of capital appreciation and current income against various levels of risk.

Of course, like any investment, Total Return Funds offer no guarantees and past performance may not indicate future success. But for qualified investors who are seeking investment strategies that may withstand the volatility of broader markets, a Total Return Fund may be worth investigating. To learn more about non-correlating assets and discuss whether a Total Return Fund may be a component of your investment strategy, contact Nick Luciano at 856.482.5600 or nluciano@cpasolutionsllc.net.

St. Clair CPA Solutions Employees Cook Up Food and Funds for Philadelphia Ronald McDonald House

Our employees traded accounting tools for kitchen tools on June 25, 2010 when they cooked dinner for about 80 guests residing at the Philadelphia Ronald McDonald House (PRMH). Some staff from our PA and NJ offices shopped, baked, cooked, served, and cleaned up after the meal, while others made a financial contribution to pay for food and support the House. PRMH guests enjoyed a complete dinner of eggplant parmigiana, chicken parmigiana, vegetables, salad, and dessert.

Linda Parry, PRMH Director of Volunteers, said that the nonprofit "home-away-from-home" for families with critically ill children in treatment at area hospitals relies on volunteer contributions to prepare and serve meals to its guests. "When families come back to PRMH from a long day at the hospital, it's a relief to be able to sit down to a home-cooked meal," said Parry.

Founded in 1974, PRMH is the world's very first Ronald McDonald House and the model for nearly 300 Houses in the U.S. and abroad. We encourage you to join us in supporting PRMH: learn more about its mission and volunteer services at www.philarmh.org.



(left to right; back row) Tom Krauss, Mike Obert, Madeline Weinrebe, Paul Lynch, Kristen Kirby, Kamal Hutchings; (front row) Kim Collins, Cindi Roth, Cate Dybus, Mary Ann Sheppard, Mindy Kegel, Stephanie Sommers; (kneeling) Linda Parry, PRMH Director of Volunteers. (Not pictured) Frank Locicero, Valerie Rothermel, Andrew Apfelbaum, Rachel Birmingham, Joe Marino, Linda Nitterauer, Mallory Ricciardi.