

# SOLUTIONS

January ♦ 2010

## Professionally Speaking....

**Alan B. Gubernick, CPA, MST** was elected in November 2009 to the Muhlenberg College Board of Observers for a four-year term. Alan received his bachelor's degree in Accounting from Muhlenberg College in 1983. As a member of the Board of Observers, Alan will participate in substantive work including assessments and planning reviews for academic and administrative departments. Alan is a founding shareholder of St. Clair CPA Solutions.

**Melvin Pitts** has joined the Tax department of St. Clair CPAs, P.C., an independent certified public accounting firm affiliated with St. Clair CPA Solutions. Melvin previously worked in regional accounting firms, where he gained significant tax experience. As we enter the busy tax season, Melvin is a welcome new member of the firm's senior tax staff. He is based in our Conshohocken, PA office.

**Andrea Cosello** has been named a Financial Services Representative for St. Clair CPA Solutions and its affiliate, CPA Financial Group, LLC. Experienced in insurance and investment products, Andrea is skilled in asset management services and shares the firm's commitment to outstanding customer service. Contact Andrea in the firm's Merchantville, NJ office.

### Presented by

#### St. Clair CPA Solutions

and its subsidiaries

St. Clair CPAs, P.C.

CPA Financial Group, LLC

## *Dear Clients and Friends*

### **NOL Carryback Period Extended**

Net operating loss (NOL) can generally be carried back two years and forward 20 years. The carryback and carryover periods are determined by the law applicable to the year in which the NOL arises, rather than any of the years to which it is carried back or forward. An NOL that is not utilized within its statutory timeframe expires without providing any tax benefit.

The American Recovery and Reinvestment Tax Act of 2009 (2009 Recovery Act) provides relief for small business owners by extending the maximum carryback period for 2008 net operating losses (NOLs) from two years to three, four, or five years (defined in the tax code as any number of years greater than two years and less than six years). The number of years selected for the carryback is discretionary

within these parameters, but the election must be properly executed in a timely manner and cannot be revoked.

As signed into law on November 6, 2009, the The Worker, Homeownership, and Business Assistance Act of 2009 modifies the extended carryback period under the 2009 Recovery Act to *allow businesses of all sizes* to carryback NOLs to more than two years and less than six years. In addition, the provision applies to net operating losses for 2008 or 2009.

If your business sustained an NOL, these provisions present an opportunity for an immediate refund of prior year taxes paid. Please call us at your earliest convenience to discuss the various options you can use to optimize your tax savings and cash flow.

### **St. Clair CPA Solutions Joins BKR International**

**B K R**  
INTERNATIONAL

The shareholders of St. Clair CPA Solutions are proud to announce that the firm has been accepted for membership in BKR International, a global association of more than 135 independent accounting and business advisory firms. Representing more than 300 offices in over 70 countries worldwide, BKR firms offer clients "the best of both worlds" with personalized local service complemented by the expertise of highly experienced, leading-edge firms around the globe.

BKR International member firms are selected for their local influence, expertise and international capability. Member firms must adhere to their local regulatory accreditation requirements and meet higher global standards of ethical and professional excellence.

Formed in 1989, BKR enables its member firms to better serve their clients with enhanced and expanded services, resources, and information. Through its affiliation with BKR, St. Clair CPA Solutions can offer a full spectrum of international accounting and business advisory services comparable to the very largest firms, but with local, personal service and objective advice. As part of a global team, the firm can assist clients with access to expertise in virtually every area of practice, in every corner of the world.

BKR International is ranked among the top ten global associations by the International Accounting Bulletin. As a BKR member, St. Clair CPA Solutions and its affiliates, St. Clair CPAs, P.C. and CPA Financial Group, LLC, can offer clients access to the services and resources of a global firm, delivered with the same high-quality, personal service that clients expect and deserve. Ask us about how our membership in BKR International can benefit you and your business.



## Homebuyer Credit Expanded and Extended

Many clients requested more information about The Worker, Homeownership and Business Assistance Act of 2009, which Congress signed into law on November 6, 2009 to extend and expand the first-time homebuyer credit allowed by previous Acts.

The American Recovery and Reinvestment Act of 2009 expanded the first-time homebuyer credit *by increasing the credit amount to \$8,000* for purchases made in 2009 before Dec. 1st. The new Worker, Homeownership and Business Assistance Act of 2009 has extended that deadline, making taxpayers who have a binding contract to purchase a home before May 1, 2010 eligible for the tax credit.

Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010, and must close on the home by June 30, 2010. For qualifying purchases in 2010, taxpayers may claim the credit on either their 2009 or 2010 tax return.

Important provisions of the new law authorize the credit for long-time homeowners who are buying a replacement principal residence; and raise the income limitations for homeowners claiming the credit.

### For 2009 Home Purchases

For homes purchased in 2009, the credit does not have to be paid back unless the home ceases to be the taxpayer's primary residence within a three-year period following the date of purchase. First-time homebuyers who purchase a home in 2009 can claim the credit on either a 2008 tax return, due April 15, 2009; or a 2009 tax return, due April 15, 2010. The credit may not be claimed before the closing date of the home purchase. But, if the closing occurs after April 15, 2009, a taxpayer can still claim it on a 2008 tax return by requesting an extension of time to file or by filing an amended return.

## Correct Travel and Entertainment Recordkeeping Now Reduces Audit Problems Later

One way to avoid time and money-eating hassles with the IRS is by identifying areas where problems may arise. For example, a recent government report confirmed that a frequent "red flag" and area for audit conflicts between the IRS and small businesses is the documentation of travel and entertainment expenses.

Because tax law specifically defines how these expenses must be verified and documented, the IRS usually wins these battles. Even when trying to comply, most companies fall short and end up drowning in paperwork.

The good news is that this is one problem that may be alleviated. Technically speaking, employees *don't need receipts* for non-lodging expenses under \$75 that are reimbursed by their employers. Although this is a big break, it doesn't give employees a license to disregard all recordkeeping, as receipts must still be supplied for all lodging expenses (even those under \$75), unless the company pays traveling employees only the IRS-approved per-diem rate. And unless a per-diem is used, those employees incurring the expense will still have to record the time, place, business reason, and amount of each travel and entertainment ex-

penditure (when a per-diem is used, it is not necessary to record this information).

Furthermore, an expense for more than \$75 that is not accompanied by a receipt will be treated by an IRS examiner as zero dollars rather than the minimum \$74.99 deduction.

With this in mind, you may wish to consider reviewing your travel and entertainment recordkeeping and substantiation procedures as you adjust your recordkeeping practices. Setting up separate procedures for your own internal expense tracking is also recommended. One suggestion might be to require employees to show you receipts for non-lodging expenses costing less than \$75 before approving them, even though you no longer need to keep them for audit purposes.

We can assist your business in establishing or updating procedures for travel and entertainment recordkeeping that will withstand IRS scrutiny. If you require assistance or have questions regarding the travel deduction rules, please call our accounting and auditing professionals at St. Clair CPAs, P.C.

## Congress Approves Accelerated Tax Deduction For Haiti Earthquake Relief

Responding quickly to the earthquake that devastated Haiti on January 12<sup>th</sup>, Congress has approved legislation that accelerates the income tax benefits for charitable cash contributions to qualified organizations that are aiding victims and helping Haiti recover. The bill provides an incentive for corporations and individuals who itemize charitable deductions by allowing those who make a monetary donation after January 11 and before March 1, 2010 to claim the contribution as a deduction on their 2009 or 2010 federal income tax return (taxpayers may not deduct contributions for Haitian relief on both 2009 and 2010 returns). This is a special exception to the general rule in which taxpayers claim a deduction for a contribution to a charitable organization in the same year that the donation was made.

Higher income individuals should note that because the limitation on itemized deductions is repealed for tax years beginning after 2009, but only reduced by two-thirds for the 2009 tax year, it may be more beneficial for some taxpayers to claim their qualified charitable contributions for Haitian relief when they file their 2010 tax returns in 2011.

If you itemize deductions and intend to contribute to Haitian relief efforts, and wish to claim your contribution on your 2009 tax return, be sure to make your donation to a qualified charitable organization prior to March 1, 2010. Contact us to discuss whether you should claim deductions for earthquake relief on your 2009 or 2010 tax returns.

An independent member of BKR International