# SOLUTIONS

October ◆ 2010

## Professionally Speaking

**St. Clair CPAs, P.C. proudly announces that the firm has again passed its PICPA Peer Review** and continues to attain the highest level of proficiency on its reports. The independent review, conducted in accordance with Standards established by the Peer Review Board of the AICPA, commends the firm's system of quality control for accounting and auditing practices. We congratulate our staff on this significant accomplishment, which is a testament to our company-wide commitment to serving our clients with excellence and integrity.

Please join us in welcoming **Jamie L. DiRenzo** to CPA Financial Group, LLC, a subsidiary of St. Clair CPA Solutions. As a licensed and experienced Financial Services Representative, Jamie assists clients with wealth management products and services, including insurance, investments, asset allocation, retirement and financial planning. If you have questions or wish to discuss your portfolio, please contact Jamie at 856.482.5600.


Presented by

**St. Clair CPA Solutions**

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*Dear Clients and Friends*

## St. Clair CPA Solutions To Host Free QuickBooks® Workshop:
### How to Use QuickBooks to Manage Your Business and Maximize Your Bottom Line

**Thursday, October 28, 2010 ◆ 9:30 am to 12:30 pm ◆ Greater Philadelphia Chamber of Commerce**

**DiBona Room, Suite 700, 200 S. Broad Street, Philadelphia, PA ◆ Register Now at events@stclaircpa.com**

Is your business using QuickBooks® to your maximum advantage? Is your QuickBooks software customized to meet the needs of your business? St. Clair CPAs, P.C. accountants Madeline G. Weinrebe, CPA and Linda A. Nitterauer, CPA will teach QuickBooks users how to make better use of the popular accounting software program in a free workshop to be presented at the Greater Philadelphia Chamber of Commerce on Thursday, October 28th from 9:30 am to 12:30 pm. Lunch will be served.

Madeline and Linda are each highly experienced accountants who have passed rigorous advanced technical training to become Intuit Certified QuickBooks ProAdvisors®. Combining their deep knowledge of business processes with their QuickBooks expertise, Madeline and Linda will provide an in-depth analysis of reporting functions, discuss ways to increase productivity and reduce keying time, introduce tools to implement internal controls and ensure accuracy, review ways to reduce the risk of fraud, and explore systems to maintain accounting books and minimize accounting bills.

As seating is limited, advance registration is required. To register, please email name(s), title(s), business, and number of attendees to *events@stclaircpa.com*. If you prefer to register by phone, please call Kim Giandomenico at 800.732.1016. Please share this valuable free workshop with your family, friends, and colleagues: all are welcome.

## Congress Passes Small Business Tax Bill with $12 Billion in Tax Benefits

A package of enhanced small business tax incentives has been passed by Congress and signed by President Obama as part of the larger Small Business Jobs and Credit Act of 2010, H.R. 5297. Originally passed by the U.S. House of Representatives on June 28, 2010, the Senate passed the legislation with changes by a 61-38 vote on September 16th. On September 23rd the House approved the Senate version, which will provide $12 billion in tax breaks and a $30 billion lending fund to small businesses, by a party-line vote of 237-187. Legislators hope the new bill will stimulate business investment and spending.

### Bonus Depreciation

The new law extends through December 31, 2010 the 50-percent first-year bonus depreciation that had expired at the end of 2009. The extension is retroactive to January 1, 2010. The new law also extends through 2011 the additional year of bonus depreciation allowed for property with a recovery period of 10 years or longer, for transportation property (tangible personal property used to transport people or property) and for certain aircraft. Bonus depreciation is not limited by the size of the business, unlike Section 179 "small business" expensing.

### Code Sec. 179 Expensing

The new law allows eligible taxpayers to elect to claim a Code Sec. 179 expense deduction on the purchase price of qualified Code Sec. 179 property. The new law increases the maximum deduction to $500,000 and the investment limit to $2 million for tax years beginning in 2010 and 2011. Increasing the qualifying property cap from $800,000 to $2 million effectively increases the availability of Code Sec. 179 expensing to more mid-sized businesses.

The new law also provides for a 100 percent gain exclusion for qualified small business stock, relaxes the S corp built-in gain conversion rules, allows five-year carrybacks of the general business credit for qualified taxpayers, removes cell phones from the listed property rules, enhances the deduction for start-up expenses, and allows a self-employment income tax deduction for 2010 health care expenses.

**To learn how these and other provisions of the new legislation may impact your business, please call our office.**

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## EGTRRA Sunset Brings New Challenges to Planning For 2011

Time is almost up for the historic tax cuts enacted by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Without any Congressional action, many popular tax cuts automatically disappear ("sunset") after December 31, 2010. They will be replaced by rates, deductions, credits and other provisions based on the far less generous law in place before EGTRRA. Additionally, enhanced capital gains and dividends tax rates in the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) and subsequent legislation will also sunset after December 31, 2010.

While individual, capital gains/dividends and estate tax rate cuts remain the focus of the expiring tax cuts and are the most likely provisions to get Congress' attention this Fall, EGTRRA made over 50 other major changes to the Tax Code that will also sunset. Congress may ignore them entirely, or re-evaluate each on a case-by-case basis. Other EGTRRA changes, notably its sizeable package of pension reform measures, were spared the sunset tax by the Pension Protection Act of 2006 and subsequent legislation.

### Sunsets Facing Individuals

EGTRRA targeted tax relief to individuals through marginal tax rate reduction, marriage penalty relief, an increased child tax credit, and more.

### Income Tax Rates for Individuals

Regular income tax liability is determined by applying the regular income tax rate schedules to the individual's taxable income. The rate schedules are divided into ranges of income, known as income brackets, and vary for single filers, married taxpayers filing separately, joint filers, heads of households, and estates and trusts. The marginal tax rate increases as the taxpayer's income increases.

Before EGTRRA, the individual marginal income tax rates were 15, 28, 31, 36, and 39.6 percent. EGTRRA gradually reduced the individual marginal income tax rates (accelerated by JGTRRA). For 2010, the individual marginal income tax rates are 10, 15, 25, 28, 33, and 35 percent. Under the sunset provision of EGTRRA, amendments made by the Act will not apply to tax years beginning after December 31, 2010. Consequently, the individual marginal tax rates will revert to 15, 28, 31, 36, and 39.6 percent effective for tax years beginning after December 31, 2010.

## "Claim and Suspend"—a Strategy to Maximize Lifetime Social Security Benefits

As nest eggs cracked with the nation's financial crises, many older people have been forced to delay retirement or return to the workforce. Despite the change in retirement plans, the upside is that working longer increases monthly Social Security benefits. Because Social Security benefits are adjusted actuarially, your total lifetime benefits will, on average, remain constant if you retire at any age between 62 and 70; so the later you retire, the higher your monthly benefits.

The Senior Citizens' Freedom to Work Act of 2000 provided for the "claim and suspend" strategy, which gives those over the Full Retirement Age (FRA) who return to work the option to receive full Social Security benefits while they work, or voluntarily suspend payments while working to earn delayed retirement credits (DRCs), which will permanently increase their monthly benefits later. Alicia H. Munnell, Director of Boston College's Center for Retirement Research, says, "This strategy is very helpful to those who earn enough to support themselves, because it allows them to increase the amount of future monthly Social Security benefits — a special kind of income that is fully inflation-adjusted and payable for life."

Munnell advises that the "claim and suspend" strategy also enhances the claiming options of one-earner couples. "For example, a husband who reaches the Full Retirement Age may elect to claim and immediately suspend benefits, allowing his wife to receive a spousal benefit based on his earnings record. The husband is then free to continue working and receive delayed retirement credits, which increases not only his monthly benefit but also his wife's survivor benefit. By using 'claim and suspend' in this way, the couple can enhance the value of their lifetime benefits," she says.

The "claim and suspend" strategy is a valuable option that can assure individuals of a higher level of future dependable income, and can provide one-earner couples with more flexibility in maximizing how they claim lifetime Social Security benefits.

We can help you determine whether the "claim and suspend" option will be beneficial for you. Please call us to discuss this useful strategy for retirement planning.

## Unclaimed Property Holder Amnesty Program Available Now Through October 31st

The Pennsylvania Treasury is granting businesses that missed the April 15th annual filing deadline amnesty from penalties and interest, if they come forward at this time. In addition, the program is also open to first-time filers or companies with gaps in their reporting history that would like to come into compliance.

All financial institutions, government agencies, businesses, organizations, and entities – known in the law as "holders" – are required to file unclaimed property reports and remit unclaimed property to Treasury on an annual basis. Please note that writing these items off as income does not relieve a company of its obligations to report unclaimed property.

**Please contact our office at 856-482-5600 should you have any questions or need assistance with this reporting requirement.**

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