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NEWSLETTER
APRIL 2010

APRIL 15 LOOMS

As in the past, return information brought in after April 5, will in all probability be put on extension.

IRS AUDITS

Similar to local government's encouraging their police departments to write more tickets to offset their budget shortfalls, the IRS is ramping up their examinations of small businesses. On their hit list are automobile expenses. If you can't produce a contemporaneous mileage log, the deduction will be disallowed. Also, make sure your gross receipts tie-in to your bank deposits.

DOUBLE WHAMMY

If you have a balance due for 2009 taxes that have to be paid on or before April 15, remember that you also have to pay the first voucher for 2010 taxes on April 15.

FIRST TIME HOME BUYER CREDIT

How nice it was to see an elderly client get \$8,000 from US to buy her *own* home.

SHOULD I CONVERT MY REGULAR IRA TO A ROTH IRA?

The perceived benefit of doing so is that eligible future withdrawals will be free of federal income taxes. However, to obtain this perceived benefit will require that you pay income taxes NOW. Is that wise to do? It all depends on several factors, but the chief factor, as we see it, is trusting the US Congress and the President not to go back on their word, i.e., they won't change their minds in the future and tax Roth IRA distributions. History tells us that you can't trust the US Congress or the President.

Prior to 1984, Social Security Benefits were not subject to US income taxation. In 1983 Congress changed this by allowing the taxation of 50% of Social Security Benefits. This change, passed by a Democrat controlled Congress, was finally approved by both Democrats and Republicans, and was signed into law by Ronald Reagan. Then in 1993, Congress passed legislation increasing the taxation of Social Security Benefits from 50 to 85% with not a single Republican voting for the increase. Deadlocked in the Senate, Vice-President Al Gore cast the deciding "Yea" vote and President Clinton signed the bill.

We leave you with this thought: A bird in the hand is worth two in the bush!

Thank you for your business and we do appreciate your referrals.

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