

NEWSLETTER

New Website – Now Active!

Be sure to check out our new website. Go to www.lahrmercpa.com to see all our new added features:

- Financial Calculators for mortgages, retirement, education savings, IRA contributions, and more!
- Go to the Calendar to see all the important tax dates and deadlines.
- Track your refund from the IRS and most States.
- Links to many important government sites and local community information.
- All of the important information in these newsletters can now be viewed on-line along with other pertinent articles.
- All of our important contact information along with a direct way to send us an e-mail and ask questions.

Please tell your friends and family.

Note these tax changes for 2010

There are significant changes in the tax rules this year, with the promise of much more to come. Here are some of the 2010 changes that could affect you.

* Deductions. The 2001 tax law gradually restored the full deduction for personal exemptions and itemized deductions for higher-income taxpayers. Effective this year, high-income taxpayers are entitled to the full \$3,650 deduction for each personal exemption they take, and there will be no income-based reduction in their total itemized deductions.

As with most other provisions in the 2001 tax law, this change ends after December 31, 2010, and itemized deductions and personal exemptions will again be limited for high-income earners in 2011.

* RMDs. For 2010, annual minimum distributions from most retirement plans are once again required for those aged 70½ and older. In 2009, these required minimum distributions (RMDs) were suspended.

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Major tax deadlines for March

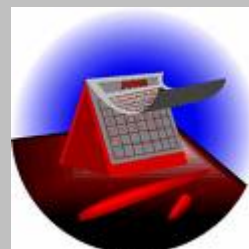
* March 1 – Payers must file 2009 information returns (such as 1099s) with the IRS. This deadline is extended to March 31 if you file electronically.

* March 1 – Employers must send 2009 W-2 copies to the Social Security Administration. The deadline is extended to March 31 if you file electronically.

* March 1 – Farmers and fishermen who did not make 2009 estimated tax payments must file 2009 tax returns and pay taxes in full.

* March 15 – 2009 calendar-year corporation income tax returns are due.

* March 15 – Deadline for calendar-year corporations to elect S status for 2010.



2010 Tax Changes

(continued)

2010 distributions must be taken by December 31, 2010. Taxpayers who turn 70½ in 2010 may choose to delay taking their first distribution until April 1, 2011.

* Roth conversions. Prior to this year, taxpayers with adjusted gross income over \$100,000 were not allowed to convert a traditional IRA to a Roth IRA. A provision from a 2006 law went into effect January 1, 2010, repealing the income limit for Roth conversions.

Roth IRAs have two major benefits over the traditional IRA. Qualifying distributions are tax-free, and no annual distributions are required once you reach age 70½.

The major drawback to converting a traditional IRA to a Roth IRA is the fact that the conversion is taxable. But if you convert in 2010, you can elect to report half of the income on your 2011 tax return and half on your 2012 tax return.

Service is slow at the IRS

In her annual report on the IRS, National Taxpayer Advocate Nina Olson singled out poor telephone service as the agency's most serious issue. The IRS has set a target for 2010 of answering 71% of taxpayer calls, a goal that leaves three of every ten calls unanswered. Those taxpayers who do get through to the IRS will have an average wait of 12 minutes. Olson's report recommended that the IRS increase staff so that 85% of calls can be answered with an average wait time of five minutes.

FUTA surtax is extended

The federal unemployment surtax was scheduled to end after 2009. The surtax has, however, been extended through June 2011 in order to help offset the cost of extending unemployment insurance benefits for the unemployed.

New credit card protections go into effect

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD), designed to protect consumers from unfair credit practices, generally took effect on February 22, 2010. Here's a summary of several key provisions.

* Introductory rates offered by credit card companies must remain in effect for at least one year (six months for promotional offers). Consumers must receive at least 45 days' notice (instead of the previous 15 days) before a rate hike. (This provision became effective August 20, 2009.)

* Companies will be required to mail credit card statements at least 21 days before the due date (seven days longer than before).

* Issuers can't raise rates on an existing balance unless you're late by 60 days or more.

* Credit card payments will be applied to debt with the highest interest first. Previously, companies did the opposite.

* Double-billing cycles, the practice of basing finance charges on both the current and previous balance, are banned.

* To reduce "over-the-limit" fees, companies must obtain a cardholder's permission to process transactions above their personal limit.

* Consumers must be notified how long it will take and how much it will cost to eliminate debt through minimum monthly payments.

* Applicants under age 21 won't qualify for a credit card without showing an ability to pay or a co-signer.

* Statements must prominently display fees paid to-date as well as explanations for those fees.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.