

INSIGHT

NEWSLETTER FOR BUSINESS CLIENTS

December 2010

Whalen & Company
CPAs & Company
and consultants

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Information for Growth

Seminar Presenters Address Key Issues Facing Small Businesses

The firm's 2010 annual fall seminar for clients and business advisers focused on health care, taxes and the business-lending environment, major issues affecting area business owners. The half-day program was held November 9 at Brookside Country Club.

The presenters, leaders in their industries, included a member of the firm's executive management team who provides tax and consulting services to business and individual clients, a health-care insurance executive specializing in the financial and technical aspects of benefits design and implementation, and a top administrator for the U.S. Small Business Administration (SBA).

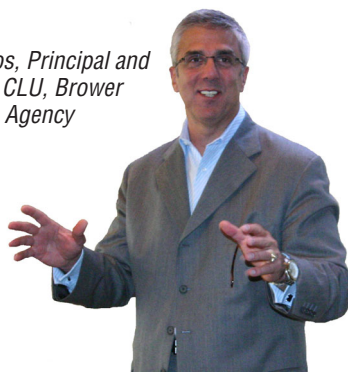
Patrick McClary, CPA,
Associate Director and
Tax Department
Manager, Whalen
& Company, CPAs



The Small Business Jobs Act of 2010 provides welcome tax relief for businesses, and there are numerous provisions which may apply to your business. In planning your tax-saving strategies, projecting business income is critical because it allows you to time income and deductions to your advantage. You may elect to defer income to next year or accelerate deductions into the current year.

Smart timing on both the income and expense side can reduce your tax liability while poor timing can unnecessarily increase it.

Chris Pulos, Principal and
Producer, CLU, Brower
Insurance Agency



There are some good pieces in the health reform legislation enacted last March, and there are some bad. Those that have negative implications for businesses generally occur in 2014. Most of the provisions going into effect for the next two years will likely remain, but others are uncertain as the situation in Congress is fluid.

For employer plans renewing after October 1, 2010, coverage to children up to age 26 (28 in Ohio) must be offered. A temporary high-risk pool for uninsurable Ohioans went into effect on October 1.

Office Hours Adjusted

The partners and members of the firm extend their best wishes to clients for the holiday season and New Year.

During the holidays the office will observe regular hours of operation from 8 a.m. to 5 p.m. with the following exceptions: December 17, closed after noon; December 24 and 25, closed; December 31, closed after 3 p.m.; and January 3, closed.

Will Bowdish, SBA Vice
President and Lender
Relations Specialist



If you are unable to do a conventional bank loan, the SBA may be able to help by guaranteeing a portion of the loan and acting much like a co-signer. This helps lenders be more comfortable with a loan that they might otherwise not approve. The lender deals with SBA, not the owner.

A business' cash flow (historical and in some cases projected) is still a primary consideration in the SBA loan decision process, but good character, management capability, collateral and owner's equity contributions are also important considerations.

Recently enacted federal laws provide a number of enhancements to help business owners get them through the present economic conditions. In some cases, loan limits have been increased; loan provisions have been extended with a 90 percent guarantee and fee waiver through December 31, 2010, and temporary enhancements have been provided to help with working capital and commercial real estate refinancing. A \$30 billion lending fund provides smaller community banks with low-cost capital, as low as 1 percent.

For the Powerpoint presentations of these speakers, go to www.whalencpa.com/seminars.php.

No Social Security COLA for 2011

Monthly Social Security and Supplemental Security Income (SSI) benefits for more than 58 million Americans will not automatically increase in 2011.

The Social Security Act provides for an automatic increase in Social Security and SSI benefits; however, the adjustment occurs only if there is an increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a cost-of-living adjustment (COLA) was determined to the third quarter of the current year.

As determined by the Bureau of Labor Statistics, there is no increase; therefore, under existing law, there can be no COLA in 2011.

Client and Firm Happenings

On behalf of all of the firm's staff Partner Richard Crabtree accepted the Best Places to Work plaque at the November 12 award luncheon hosted by Columbus Business First. The newspaper sponsors the program, which this year recognized 35 companies in central Ohio whose operations are changing the business landscape and are doing their best to foster a great workplace. Clients **Quantum Health Inc.** and the **Electronic Classroom of Tomorrow (ECOT)** were also honorees. The award recipients are grouped in categories, based on the number of their fulltime employees. Crabtree, right, is pictured with Don DePerro, president and publisher of Business First. 🌿



start of her commercial interior design company in 1998 and how the support of WPO members helped guide her through several challenges. Partners **Laura Wojciechowski** and **Lisa Shuneson** are members of WPO and actively involved in their chapters. 🌿

Two clients are featured in a story about the Women Presidents' Organization (WPO) in MARCH, a national magazine for female business leaders. Celia Crossley, owner of **Celia D. Crossley & Associates**, a human resource firm, discusses her involvement in one of the two Columbus chapters of the organization. Lisa Cini, founder and president of **Mosaic Design Studio**, is profiled, tracing the

Carolyn Harrison, staff accountant, celebrates her fifth anniversary with the firm in December. She works on a variety of accounts and is responsible for payroll taxes, accounts payable, check writing, bookkeeping, compiling financial statements and preparation of 1099s. 🌿

Velvet Ice Cream Company, Inc. was honored for its succession planning in the 12th annual Conway Center for Family Businesses' awards program. The fourth-generation company, which was founded in 1914, has 110 employees and five family members involved in the business. Luconda Dager is CEO of the company, which is

located in Utica, Ohio. 🌿

Ronald McDonald House Charities (RMHC) of Central Ohio has launched a vehicle donation program. Individuals can now donate their cars, trucks, boats or RVs to the organization and receive a tax deduction. RMHC will then auction those vehicles with the proceeds going to benefit the charity. Staff members will even pick up the donated vehicle free of charge and assist the donor in completing the paperwork. For more information about this new program, contact Dee Anders, executive director, at 227-3765 or visit the RMHC Web site, www.rmhc-centralohio.org.



The Ronald McDonald House provides a home-away-from-home for families of seriously ill children being treated at area hospitals. Located across from Nationwide Children's Hospital, the Columbus Ronald McDonald House is the second largest of its kind in the world. 🌿

New Law Permits In-Plan Roth Conversions

A new law allows in-plan Roth conversions for 401(k) and 403(b) plans. Effective immediately, these plans may permit employees to convert pre-tax contribution accounts to Roth after-tax contribution accounts held within the plan.

Businesses that wish to allow participants to take advantage of the special tax rule for 2010 will need to take action prior to year end.

Under the Small Business Jobs and Credit Act of 2010, 401(k)s and 403(b)s may now be expanded to allow participants to transfer certain amounts into separate Roth after-tax accounts held under those plans. This new feature is often referred to as an "in-plan" Roth conversion.

Requirements for Conversions

- The plan must include a 401(k) or a 403(b) feature and also a designated Roth account.
- The amount to be converted must be "immediately distributable" under the plan. Amounts are generally immediately distributable when a participant reaches normal retirement age, terminates employment, incurs another distributable event or takes an in-service withdrawal permitted under the plan.
- The amount to be converted must qualify as an "eligible rollover distribution."

Amendments May Be Required

■ If a business wants to make this available to participants, the company's plan must be amended to specifically permit pre-tax amounts to be converted to Roth after-tax amounts held in your plan.

■ In case it does not currently provide for Roth after-tax contributions, the plan may be amended to add a designated Roth account.

■ To permit more participants to take advantage of in-plan Roth conversions, plans may be amended to provide for additional distributable events or in-service withdrawal provisions.

■ A business may limit the new distribution and in-service withdrawal options so they apply only to in-plan Roth conversions.

For more information about the in-plan Roth conversions, contact Partner Laura Wojciechowski who will place you in contact with a pension plan adviser. 🌿

Additional Copies of Year-End Tax Planning Report Available

Part of being a good tax adviser and business consultant is providing resources for clients to learn and develop their own knowledge about tax planning and other business strategies.

One of the resources that Whalen & Company annually provides clients is a year-end Tax Planning Report. This special eight-page publication is divided into sections pertaining to individual, business and financial tax planning.

Throughout the publication, which was sent to clients in late November, there are year-end tips and noteworthy planning suggestions. Also included is a special business section on the Small Business Jobs Act, which Congress recently enacted and the President signed into law.

For additional copies of this publication to share with work colleagues or other business associates, contact Tracy Ceritelli at 396-4200 or tracy.ceritelli@whalencpa.com.

November 2010
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TAX Planning

A SPECIAL YEAR-END PLANNING REPORT

Individual Tax Planning

Dear Clients and Friends:

In these turbulent economic times, tax planning is more complicated and necessary than ever. This is especially true as the end of 2010 approaches.

Earlier in the year, Congress passed the Hiring Incentives to Restore Employment (HIRE) Act of 2010, providing special tax breaks to employers. And you may be planning strategies for yourself, your family and your business.

Another new law signed in September, the Small Business Jobs Act of 2010, also includes several key tax breaks for employees. For instance, tax rates are scheduled to rise for some taxpayers while tax cuts for long-term capital gains and dividends are slated to disappear. Controversial add to the uncertainty. Now, more than ever, you need professional guidance to maximize the tax benefits and minimize the risks.

Keeping these in mind, we have prepared the following 2010 Year-End Tax Planning letter. Throughout this letter, take note of various year-end tax tips that may be applicable. For your convenience, the letter has been divided into the following three sections:

- Individual Tax Planning
- Financial Tax Planning
- Business Tax Planning

We assure that the year-end planning ideas discussed within this letter are general in nature and are intended only as an overview. We suggest that you review your situation with your Whalen & Company tax professional before you take any action.

Be aware, however, that the exemption amounts are reduced for high-AMT income taxpayers. The reduction is equal to 25 cents for each dollar of thresholds have not been adjusted for inflation in recent years.

NOTE: If you are facing AMT liability this year and expect to be in a high regular income tax bracket next year, you might accelerate additional income into 2010. The extra income will be taxed at either the 26 percent or 28 percent AMT rate.

Alternative Minimum Tax

The alternative minimum tax (AMT) is a special tax return adjustment and an exemption amount based on your filing status. If you must pay the AMT, the AMT rate is 26 percent for the first \$175,000 of AMT income; 28 percent on amounts above \$175,000.

YEAR-END TIP: Review your AMT liability for 2010. If warranted, it may be advisable to shift tax preference items to 2011 to avoid or reduce expected AMT liability for this year.

The AMT exemption amounts have been "pitched" several times during the past decade. The exemption amounts dating back to 2000 are shown below.

Filing Status	2000	2001-2002	2003-2006	2006
Joint Filers	\$45,000	\$49,000	\$58,000	\$62,550
Single Filers	\$33,750	\$35,750	\$40,250	\$42,500

Filing Status	2007	2008	2009	2010*
Joint Filers	\$66,250	\$69,950	\$70,950	\$45,000
Single Filers	\$44,350	\$46,200	\$46,700	\$33,750

*Proposed legislation would increase these amounts.