

2009 Legislation: New tax breaks at a glance

Your 2009 planning should take into account the tax-cutting opportunities included in the American Recovery and Reinvestment Act of 2009. Here are the major provisions affecting individuals and businesses. Income limits and various restrictions apply to many of them.

- Making work pay credit of up to \$400 for singles and \$800 for couples.
- First-time homebuyer credit of up to \$8,000 for homes purchased before Dec. 1, 2009.
- Above-the-line deduction for taxes paid on the first \$49,500 of the purchase price for a new vehicle.
- Alternative minimum tax exemption for 2009: \$46,700 for singles, \$70,950 for couples.
- Increased credits for energy-saving home improvements.
- Credit for college costs increased to \$2,500 and applicable to four years of education.
- COBRA subsidy for health insurance premiums for those who lost their jobs.
- First-year 50% bonus depreciation for new business equipment purchased in 2009.
- First-year expensing allowed at \$250,000 limit for the purchase of new and used business equipment.
- Carry back of 2008 net operating losses allowed for up to five years for qualifying businesses.
- Various energy tax breaks enhanced for businesses.

- COBRA subsidy paid by employers is reimbursed through payroll tax adjustments. The bonus depreciation provision generally enables businesses to deduct half the cost of qualifying property in the year it is placed in service.



The section 179 deduction enables small businesses to deduct up to \$250,000 of the cost of machinery, equipment, vehicles, furniture and other qualifying property placed in service during 2009. Without the new law, the limit would have dropped to \$133,000.

The existing \$25,000 limit still applies to sport utility vehicles. A special phase-out provision effectively targets the section 179 deduction to small businesses and generally eliminates it for most larger businesses.

Net Operating Loss Carryback

Many small businesses that had expenses exceeding their incomes for 2008 can choose to carry those losses back for up to five years, instead of the usual two. For small businesses that were profitable in the past but lost money in 2008, this could mean a special tax refund. The option is available for a small business that has no more than

an average of \$15 million in gross receipts over a three-year period.

This option is still available for most eligible taxpayers, but only for a limited time. A corporation that operates on a calendar-year basis, for example, must file a claim by Sept. 15, 2009. For eligible individuals, the deadline is Oct. 15, 2009.

Estimated Tax Requirement Modified

Many small business taxpayers may be able to defer, until the end of the year, paying a larger part of their 2009 tax obligations. For 2009, eligible individuals can make quarterly estimated tax payments equal to 90 percent of their '09 tax or 90 percent of their '08 tax, whichever is less. Individuals qualify if they received more than half of their gross income from their small businesses in '08 and meet other requirements.

COBRA Credit

Employers that provide the 65 percent COBRA premium subsidy under ARRA to eligible former employees claim credit for this subsidy on their quarterly or annual employment tax returns. To help avoid imposing an unnecessary cash-flow burden, affected employers can reduce their employment tax deposits by the amount of the credit.

Answers to frequently-asked questions are posted on IRS.gov. Other ARRA business provisions relate to discharges of certain business indebtedness, the holding period for S corporation built-in gains and acceleration of certain business credits for corporations.

S-Corporation Guidance

Tax Resources for Small Businesses, Issue No. 2009-14, July 8, 2009

Recently released IRS guidance provides useful information for S corporations on the proper employment tax treatment of payments made to shareholder-employees and officers and explains how 2% shareholder-employees treat company-paid health insurance premiums. Here is what they have to say.

Background. S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. S shareholders report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates.

A shareholder may deduct his pro rata share of passed-through items only to the extent of his adjusted basis in his S corporation stock.

Compensation. The guidance notes that S corporations must pay reasonable compensation to a shareholder-employee

in return for services that he provides to the corporation before non-wage distributions may be made to the shareholder-employee. Courts have supported IRS's authority to reclassify other forms of payments to a shareholder-employee as a wage expense. Courts have found shareholder-employees are subject to employment taxes in some cases.

Similarly, distributions and other payments to a corporate officer must be treated as wages to the extent they are reasonable compensation for service rendered to the corporation. If an officer doesn't perform any services or only performs minor services and isn't entitled to compensation, he's not considered an employee.

Medical insurance premiums. The guidance explains that health and accident insurance premiums paid on behalf of a greater than 2% S corporation shareholder-employee are deductible by the S corporation as fringe benefits and are

reportable as wages for income tax withholding purposes on the shareholder-employee's Form W-2. They are not subject to Social Security or Medicare (FICA) or Unemployment (FUTA) taxes.

Under Code Sec. 1372(b), a "2% shareholder" (—actually a more-than-2% shareholder—) is any person who owns (or is considered as owning under the constructive ownership rules) on any day during the S corporation's tax year more than 2% of the outstanding stock of the corporation or stock possessing more than 2% of the total combined voting power of all stock of such corporation.

A 2% shareholder-employee is eligible for a deduction for amounts paid during the year for medical care premiums if the medical care coverage is established by the S corporation (and the shareholder or the shareholder's spouse isn't eligible to participate in any subsidized health care plan).

A Message To Sales Managers!

I saw an interesting article on www.iastraining.com a while ago. It said a majority of sales managers have many more responsibilities other than the sales management of the sales people. When you think about it, many times it seems as though those tasks or responsibilities tend to get in the way of the primary function of a sales manager.

It takes discipline, delegation and a concentrated effort to get the whole job done. In too many situations the salespeople are the ones who suffer or get put on the back burner until all the other tasks are done. In some cases the other tasks will never be complete. To that end here is the primary job responsibility of a sales manager.

Provide the leadership, knowledge, training, incentives and consequences to recruit, hire, train, develop and maintain a successful sales staff.

This definition certainly isn't an easy job to accomplish. As a matter of fact the job will never be done. You will be in the business of recruiting, hiring and training for as long as you have the position.

However, the goal is to have a completely trained staff that is capable of maximizing each and every selling opportunity that they have available. Further a completely trained sales staff will be capable of creating sales opportunities through various other means as well.

Consider breaking down each and every

word of the definition of a sales manager and do a little bit of a self-evaluation. Ask yourself; are you providing leadership and exactly what is leadership. Are you providing the knowledge and training that your salespeople need in order to be successful? Are you providing incentives and both positive and negative consequences through running a disciplined sales organization? Are you managing based on objective information rather than opinion or subjective information?

In other words, are you giving your people all of the tools that they need to be successful thus creating your own success?

Think about it!

Nine Keys to Wellness Program Success

Here are their nine keys to wellness program success by Barb Rouleau, chief wellness officer at PureWellness, a leading provider of online wellness programs.

1. Corporate branded. Be sure you get your own branding for outsourced and online wellness programs, says Rouleau. You want employees to know that the company is behind the program.

2. Executive endorsed. When executives participate and encourage employees, the program gets a great lift, Rouleau notes.

3. All inclusive. Ideally, your program will meet the needs of more than 80 percent of the employee population.

4. Comprehensive. The program should address many aspects of health and wellness. Depending on the results of your health risk assessments, a program might include:

- Risk assessment and reporting
- Nutrition
- Physical activity
- Smoking cessation
- Stress management
- Behavior change support.

5. Accessible and available at all times. Although Rouleau suggests a mix of onsite and Internet programming for wellness, the Internet is obvious

6. Seamlessly integrated. Lots of programs give isolated information

but don't integrate information from different sources. Find a program in which assessment data—blood pressure, cholesterol, body-mass index—are integrated with goals and measurements of progress.

Corporate wellness programs show great ROI. And they are win-win—employees feel better and are more productive, and employers reap the benefits. Even small improvements make a difference.

It's also possible to go a step further and integrate measurement devices — like pedometers, scales, and blood pressure measuring devices. They can feed directly into the system. That's a bonus, says Keen, because while you do want people to get involved and care, you don't want them sitting at their computers all day entering health data.

7. Easy to use. You'd like a one-stop shop with a single sign-on for online operations. As mentioned above, integration helps ease of use because participants don't have to visit many different places to find what they need.

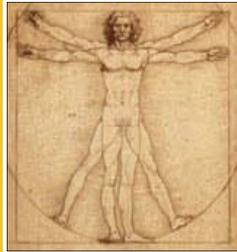
8. Confidential. Health information should be secure—and employees must believe that it is secure—or employees won't participate.

9. Broad reporting capability. The first level of reporting is to the employee. In addition, says Rouleau, you want the information aggregated for your use in designing and managing your program. You might, for example, want to:

- Trend out results and see effects of your investment.
- Partition out information by department, location, etc.
- Compare data with other employers in your area or in your industry.
- See who is participating.
- Find out which program features are being used and which are not.

(Make sure program information is exportable to a format with which you can work .)

How's your wellness program doing? Not so hot or not at all? Well-structured and well-run wellness programs generate ROI of up to 300 percent—music to management's ears! But the keywords are well-structured and well-run. Poorly structured programs just spin their wheels—no health benefit and no positive ROI, either.

	Want more info: Call "The Center" 315-704-0319 888-290-1779 MAH@TheCenter4 Wellness.com
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163 North Street
Auburn, NY 13021

Phone: 315-255-3074
Fax: 315-255-2895
E-mail: jgl@jglmanagement.com

JGL Management Consulting was established in 1980 as a small business bookkeeping and tax preparation firm. Over the years we have built and developed skills that have expanded our firm into a full service company specializing in small business start-up, project and management consultation, payroll and IT systems management; all with an emphasis on taxation and finance.

Our clients range from individuals to multi-million dollar service companies, single store retail, multi-store chains, food service, manufacturers and film and video distribution. We have given seminars on many business subjects including bookkeeping, cash flow, business planning and values, goals dreams motivation.

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Employee Terminations are \$@#%^@#!

Here are the 7 questions experts recommend you ask before any employee termination. If your answer to any of these questions rings a worrisome note, review the situation carefully before making a termination decision.

1. Have you followed your own policies? - Most organizations have a discipline policy that covers termination. Check your policy to be sure that you have followed it. Policies generally reserve the right to skip steps in the progressive discipline system and fire immediately for certain offenses such as stealing or violence. However, you should exercise this right with caution.

2. Is there a contract or other guarantee? - If the employee in question has a written employment contract, you will probably

be bound by its terms. Even in the absence of written contracts, many courts have found that certain documents, such as employee handbooks or offer letters, can create implied employment contracts.

3. Is there a union agreement? - If the employee in question is covered by a union contract, you must determine whether this termination would be contrary to union contract provisions.

Furthermore, if the employee has been involved in union organizing, you must weigh whether the offense for which the employee is to be terminated could be considered "concerted activity" or whether the termination could be considered retaliation for union activity.

4. Have you been consistent? - It

is an important part of fair treatment. If you have consistently terminated others for the same offense for which you want to terminate this employee, you are probably going to be all right.

5. Could this firing be viewed as discriminatory? - Could the employee claim that he or she was fired not for the reason the organization claims, but because of discrimination?

6. Could this firing be viewed as retaliatory? - Could the employee claim that he or she was fired for performing a protected activity?

7. Is the employee pregnant? - In general, treat pregnant women the same way you treat any employee with a disability. You may not fire a woman because she is pregnant.