

# What's New in 2010

*From First American Financial Services*

FIRST EDITION

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New Issues and Strategies for 2010

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## ENROLL FOR E-FILE!

The IRS and FL Dept. of Revenue are encouraging (and in some cases requiring and penalizing for failure to comply to file reports and pay taxes on-line (e.g. sales tax, unemployment, payroll taxes). Let us enroll you within the IRS' and Florida's e-file systems and pay your taxes (with your confirmation). All we need is a blank voided check. Eliminate the hassle of writing checks and mailing quarterly reports. Never pay penalties again!

## IF YOU TAKE A DISTRIBUTION, YOU MUST TAKE A WAGE

The IRS is increasing audits of businesses where owners take distributions (draws) but do not take wages (paychecks). How much wage? IRS states "reasonable and appropriate." Contact First American for guidance. Another good reason to take a wage is to be eligible for the new Making Work Pay Tax Credit of up to \$800. Plus, in order to expense your health insurance, you must take a wage (see next section).

## OWNER'S HEALTH INSURANCE MUST BE EXPENSED VIA WAGES

The IRS requires businesses to no longer pay for the health and accident insurance for the owners (shareholders) and their dependents if they are on the same policy. Instead, owners are to pay for their health insurance personally, and then have the business reimburse them. Owners will then receive a tax deduction for the total amount on their personal income tax returns, but only if they receive a wage (another good reason to take a wage).

## FLORIDA UNEMPLOYMENT TAX INCREASE

Unemployment Tax will increase approximately \$80 per employee per year. Why? Under state law, when the trust fund used to pay unemployment benefits falls below 4% (due to increased claims) it automatically triggers an increase in the tax for next year.

## MUST HAVE W-4, I-9, AND REPORT NEW HIRES OF EMPLOYEES

Employers must keep on file a W-4 and I-9 for each employee. In addition, new or re-hires must be reported to the Florida New Hire Reporting Center. File on-line at [newhire.state.fl.us](http://newhire.state.fl.us), or mail/fax each W-4 to (make sure to include your company name and EIN#):

Florida New Hire Reporting Center

P.O. Box 6500

Tallahassee, FL 32314-6500

Fax: (888) 854-4762

Please provide us a copy of each new employee's W-4 as well for payroll and W-2 purposes.

## MILEAGE, LATE PENALTIES, AND CELL PHONE USE

The 2010 mileage rate is 50 cents per mile.

The IRS is increasing penalties for late filings of corporate/partnership tax returns from \$89 per month per person to \$195 in 2010. Be sure to get your work to us on time!

If you expense 100% of your cell phone bill, you must keep logs and prove if audited that your cell phone was indeed used for business 100% of the time. New law will require no logs if you expense only 75% of your total monthly cell phone bill. Beginning 2010, to keep you safe, we will book only 75% of your cell phone bill unless we hear otherwise.

## 2009 TAX ORGANIZER AND NEW 2010 TAX STRATEGIES

Let us help you receive as many tax deductions and credits as possible. There are many new tax laws for 2009 and 2010, such as Roth IRA conversions, energy tax credits, new and existing home buyer credits, increased education credits, change in capital gains tax rates, and more! Visit First American's web site at [www.fafsinc.com](http://www.fafsinc.com) to download your 2009 Tax Organizer and your 2010 Tax Strategies handouts.

## WE APPRECIATE YOU!

First American is family owned, family operated, and we treat our clients as our family. We look forward to a prosperous 2010!

*This written advice is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer.*