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Significant changes in recent tax laws will have an impact on your tax planning for 2010, and future years. Here are a few of these changes of which you need to be aware of, so that you can plan your investments, and withholdings accordingly.

The *Patient Protection and Affordable Care Act (PPACA)* was signed into law on March 23, 2010, along with the *Health Care and Education Reconciliation Act of 2010*, signed on March 30, 2010. The law includes a large number of health-related provisions to take effect over the next four years. We have enclosed a calendar of effective dates of health care reform law provisions to help you navigate this very complicated law.

Mid-Year Tax Planning Moves to Consider:

- **Review capital gains and losses**, as we anticipate the tax rate on capital gains to increase in 2011.
- **Review AMT (alternative minimum tax) issues**, such as personal/dependency exemptions, state/local tax, unreimbursed employee business expenses and medical expenses.
- **Nonbusiness energy property credit**, you may benefit from a 30% tax credit for amounts you spend to make qualified energy-efficient improvements to your principal residence.
- **Roth Conversion - LOOK BEFORE YOU LEAP!** Beginning in 2010 income limitations for Roth IRA Conversions will no longer exist. However, a conversion might not be right for everyone.
- **Dependent Care/Flexible Spending Account**, check whether your employer allows you to contribute pre-tax dollars to these plans.
- **Retirement Planning**, the tax benefits associated with employer-sponsored retirement plans and IRAs can help build your retirement savings and at the same time reduce your current tax liability.
- **Estimated Tax Payments**, in general you must pay estimated tax for 2010 if *both* of the following apply:
 - A.) You expect to owe at least \$1,000 in tax for 2010 after subtracting your withholding and refundable credits.
 - B.) You expect your withholding and refundable credits to be the less than the smaller of:
 - 1.) 90% of tax to be shown on your 2010 tax return, or
 - 2.) 100% of tax shown on your 2009 tax return

GOOD NEWS: Phase-Out Rules for Itemized Deductions & Personal Exemptions Eliminated for 2010, although however, the rules are scheduled to return at higher rates in 2011. From a planning standpoint, it will make sense to **prepay** any expenses in 2010 that you typically pay in January, in order to take advantage of the full deduction. **Charitable giving** may also make more sense in 2010, since you will receive a bigger tax deduction for your dollar than you will in 2011.

Avoiding Penalty on Early IRA Withdrawal: With our challenging economic climate, many taxpayers may feel a need to take an early withdrawal (before age 59½) from their IRA. Good news is there are **some exceptions** to this penalty, subject to certain rules. However, you should always consult with a tax professional before withdrawing from your IRA.

Stock Sales Tip: Since the tax rate on long term capital gains is scheduled to increase in 2011, this year may be the time to sell off some stock you were planning to unload. However, if you do sell shares of a particular stock, it is very important to **specify which shares you are selling**. Case in point: if you purchased a particular stock at a low price, and later purchased more of this same stock at a higher price, and you don't **specify** the shares being sold, the tax law treats the shares you acquired first, as the first ones sold. This could create a larger capital gain, than if you had sold the shares you bought later, purchased at a higher price.

Effective tax planning is key to minimizing your 2010 tax bill. In light of all the federal tax law changes, and the economic conditions, now more than ever, it is crucial for taxpayers to seek the services of a skilled professional. I thank you for your continued faith in allowing Grebe & Associates to be your tax professionals.

We look forward to continuing to partner with you to improve your financial situation by using effective tax planning as a means of maximizing income retention by minimizing tax payment.

Should any of your friends, relatives, or colleagues require professional tax assistance, we would appreciate your referral – it is the best advertisement, and sincerely appreciated!

John T Grebe

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You may contact us via phone at:
(630) 653-3510
or email at:
jtgrebe@grebeassoc.com

Park East Office Center
1749 S. Naperville Road, Suite 203
Wheaton, IL 60189-5892

2010 TAX NUMBERS

■ Standard Deductions		■ Gift and Estate Tax		■ Social Security Earnings Limit	
• Single	\$ 5,700	• Estate Tax Exemption	Unlimited	• Below Full Retirement Age	\$ 14,160
• Married Filing Jointly or Qualified Widow(er)	\$ 11,400	• Lifetime Gift Tax Exempt.	\$ 1,000,000	• Year Full Retirement Age Reached	\$ 37,680
• Married Filing Separately	\$ 5,700	• Annual Gift Tax Exempt.	\$ 13,000	• Full Retirement Age	No Limit
• Head of Household	\$ 8,400	■ HSA Contribution Limits		■ Maximum IRA Contribution	
• Addl for Elderly/Blind - Married	\$ 1,100	• Self, Under Age 55	\$ 3,050	• 50 and under	\$ 5,000
• Addl for Elderly/Blind - Unmarried	\$ 1,400	• Self, Over Age 55	\$ 4,050	• Over 50	\$ 6,000
• Taxpayer Claimed as a Dependent	\$ 950	• Family, Under Age 55	\$ 6,150	■ Maximum 401(k) and 403(b) Deferral	
■ Itemized Deduction Phase Out	N/A	• Family, Over Age 55	\$ 7,150	• 50 and under	\$ 16,500
■ Kiddie Tax Exemption	\$ 950	■ Social Security/ Self Employed Wage Base	\$ 106,800	• Over 50	\$ 22,000
■ Kiddie Taxable Income	\$ 1,900	■ Medicare Wage Base	No Limit	■ Maximum SIMPLE Deferral	
■ Personal/Dependent Exemption	\$ 3,650	■ Roth IRA Phase-Out Range		• 50 and under	\$ 11,500
■ Personal Exemption Phase Out	N/A	• MFJ	\$ 167,000 - \$ 177,000	• Over 50	\$ 14,000
		• Single	\$ 105,000 - \$ 120,000		

2010 INCOME-TAX RATES and TAXABLE INCOME BRACKETS

Rate	Single	Head of Household	Married Filing Jointly or Qualified Widow(er)	Married Filing Separately
10%	\$0 - 8,375	\$0 - 11,950	\$0 - 16,750	\$0 - 8,375
15%	\$8,375 - 34,000	\$11,950 - 45,550	\$16,750 - 68,000	\$8,375 - 34,000
25%	\$34,000 - 82,400	\$45,550 - 117,650	\$68,000 - 137,300	\$34,000 - 68,650
28%	\$82,400 - 171,850	\$117,650 - 190,550	\$137,300 - 209,250	\$68,650 - 104,625
33%	\$171,850 - 373,650	\$190,550 - 373,650	\$209,250 - 373,650	\$104,625 - 186,825
35%	\$373,650 and over	\$373,650 and over	\$373,650 and over	\$186,825 and over

Tax Bracket	Long Term Capital Gains Rates	
	2010	2011*
0-15%	0%	15%
25% and Above	15%	20%

*Expected Increase

Standard Mileage Rates	2009	2010
Business	\$.55	\$.50
Medical and Moving	\$.24	\$.165
Charitable	\$.14	\$.14

Calendar of Effective Dates of Health Care Reform Law Provisions

2010

- Small Employer Health Insurance Tax Credit (initial Phase)
- Reinsurance program for age 55 or older retiree health coverage
- Dependent coverage through age 26 (for dependents not covered by another employer-sponsored plan)
- No lifetime caps on dollar value of health benefits
- No preexisting condition exclusions for children
- No rescissions unless fraud
- Increase in exclusion for employer-provided adoptions assistance

2011

- Grants available for small business wellness programs
- CLASS program automatic enrollment and voluntary payroll withholding
- W-2 reporting of the value of employer-sponsored health insurance coverage
- Restrictions on using funds in a health FSA, HRA, HSA, or MSA for over-the-counter medicines
- 20% additional tax on HSA and MSA withdrawals not used for medical expenses
- Fee on branded prescription drug manufacturers and importers
- New simplified cafeteria plan for small businesses

2012

- Information reporting for payments to corporations

2013

- Automatic enrollment of employees in large employer plans
- Additional .9% Medicare tax on wages/self-employment income of high earners
- 3.8% Medicare surtax on investment income of higher income taxpayers

2013 (continued)

- \$2,500 limit on annual health FSA contributions
- 10% floor on itemized medical expense deduction
- Elimination of business deduction for certain retiree prescription drug costs
- Limit on deduction for compensation paid to insurance company executives (for services performed after 2009)
- 2.3% excise tax on medical device sales

2014

- Individual health care minimum essential coverage mandate/penalties/subsidies
- Employer shared responsibility mandate/penalties (assessments)
- Individual and small business (SHOP) exchanges available
- Small Employer Health Insurance Tax Credit (second phase)
- Free Choice Vouchers start
- No annual limits on coverage in grandfathered individual and group plans
- Employee awards for wellness programs permitted
- Annual fee on health insurance providers (for net premiums written after 2012)
- Increases in required estimated tax payments for large corporations

2017

- States can allow businesses with more than 100 employees to purchase coverage through SHOP exchanges

2018

- 40% excise tax on high-cost health coverage provided by employers