

*Sapurstein & Associates, PC*

## TAX INFORMATION NEWSLETTER

**Tax Deadlines in 2010**

February 28, 2010

File W-2's and 1099's

File WH-3 with W-2s & 1099s  
with Indiana Dept of Revenue**March 15, 2010****All Corporate Tax Returns**

April 15, 2010

1st Qtr 2010 Tax Estimate

Individual Tax Return

Partnership Tax Return

Trust Taxes

May 17, 2010

Personal Property Tax Return

Not-for-Profit Tax Return

June 15, 2010

2nd Qtr 2010 Tax Estimate

**Real Estate**

- If you bought a home in 2008 and took the first-time home buyer credit, the recapture of the credit kicks in this year. The \$7,500 credit you got is recouped over 15 years. So you add \$500.00 to your taxes on the 2010 Form 5405. There's no credit recapture for residences purchased after 2008, unless the home is sold within three years.
- IRS is beefing up oversight of the home buyer credit. To get the credit, filers must attach more documentation to Form 5405. A signed copy of the settlement statement, should be attached to Form 5405. Mobile home buyers should include a signed sales contract, and filers who have a residence built for them should attach a copy of the certificate of occupancy. Returns claiming the credit can't be e-filed because of the attachment rules and the IRS won't start processing 2009 returns with 5405s until mid-Feb.

**Energy**

Insulated vinyl siding doesn't get a 30% tax credit for home improvements that save energy, the IRS says in a private ruling, because the siding also provides structure support for the house.

**Losses**

- Filers with a large overall loss for a year

won't lose capital loss carryovers, the Revenue Service says privately. Normally, taxpayers with a capital loss carry-forward can use it to offset any gains plus up to \$3,000 of other income. The carry-over amount applied reduces the subsequent carryforward. But if the taxpayer's deductions for a year exceed income by an amount greater than \$3,000 plus any personal exemptions, the IRS says the taxpayer doesn't have to reduce the capital loss forward.

- IRS is tightening the reporting rules on activities generating passive losses. Taxpayers will have to start reporting changes on how activities are grouped or any new groupings. This takes effect for tax years starting after Jan. 24, 2010, which means Jan. 1, 2011 for calendar year filers. The grouping rules are important because if two or more activities are grouped as one, the disposition of one activity will not trigger any suspended passive losses until all the others are disposed of. The reporting rules are designed to keep filers from playing games to deduct losses.

**Is 2010 "The Year of the Roth"?**

- Clearly, a Roth IRA conversion is not for every client. The decision to roll over traditional IRA savings into a Roth IRA will depend on an analysis of many factors (the client's age, amount of IRA savings, retirement income needs, etc.) as well as some crystal-ball gazing (how will the up-front tax on the conversion compare to the future tax on traditional IRA distributions?). Nonetheless, 2010 may be the "Year of the Roth" for clients who have been previously locked out.
- The combination of lower account values, historically low income tax rates, lifting of conversion income limits and the ability to pay the tax bill over two years provides a rare opportunity to potentially increase your income in retirement by hundreds, and even thousands, of dollars each month by eliminating taxes through a Roth IRA.
- A reminder for individuals on taking minimum payouts from IRA's and plans: Distributions skipped in 2009 needn't be

made up in 2010, when the mandatory withdrawal rules will resume. And a similar rule applies to heirs stuck with the mandatory five-year payout period. So if, for example, you inherited an IRA during 2007, you originally had until the end of 2012 to clean out the IRA. Due to the waiver, you now have until the end of 2013. But there is no waiver for payments from defined benefit pension plans.

**Wagering**

Casual gamblers must net their winnings or losses on a daily basis when figuring their taxes, the Tax Court says. A couple played the slots on occasion. On one day, they hit a \$2,000 jackpot and netted \$1,100 for the day. They lost a total of \$2,264 on their other trips. In the Court's view, the \$1,100 in winnings is taxed as income and the offsetting \$1,100 in losses can be claimed as an itemized deduction. However, since the couple took the standard deduction, they cannot write off the \$1,100 in losses. Remember, too, that gambling losses in excess of winnings cannot be deducted.

**COBRA Benefit Plans**

Employers must act quickly to notify ex-workers about the changes made to the subsidy law. It originally allowed those who were let go after Aug. 31, 2008 and before Jan. 1, 2010 to get a nine-month subsidy for 65% of premiums they paid. The subsidy was extended to workers terminated before March 1, 2010 and provides for six more months of financial assistance. Ex-employees whose subsidy ran out after November also qualify for the extra six months of aid. They must be notified of this change by Jan. 29, and employers have to send out notices by Feb. 17 to all laid off workers to explain the new law. The Dept. of Labor has sample notices that employers can use. The new law adds a small easing to the subsidy eligibility rules: Workers no longer have to qualify for COBRA coverage in the same month that they are let go in order to be eligible for the 65% subsidy. This helps employees who, for example, are terminated in mid-Feb. but don't lose employer-paid health benefits until March.

**Hope Credit**

Call us for special Indiana Rules.

**REMINDER: PLEASE SEND IN YOUR TAX INFORMATION AS SOON AS POSSIBLE SO WE CAN PROCESS YOUR TAXES IN A TIMELY MANNER**