

Healthcare & HIRE Bills

In March 2010, President Obama signed two bills that give important credits to business owners. The credits offered in the Healthcare bill will be discussed first followed by the credits offered in the HIRE bill.

Healthcare Credit

The Healthcare credit is specifically targeted to help small businesses that primarily employ low and moderate-income workers.

To be eligible for the credit, business owners have to pay at least half the cost of the health coverage for their employees in 2010.

For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers.

The **maximum** credit goes to smaller employers -- those with 10 or fewer full-time equivalent (FTE) employees -- paying annual average wages of \$25,000 or less. Because the eligibility rules are based in part on the number of FTEs, not the number of employees, businesses that use part-time

help may qualify even if they employ more than 25 individuals.

The credit is completely phased out for employers that have 25 FTEs or more or that pay average wages of \$50,000 per year or more.

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return they file in 2011.

HIRE Credit

Employers who hire unemployed workers this year (after February 3, 2010 and before January 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employers share of Social Security taxes on wages paid to these workers after the date of enactment through the end of 2010. This reduced tax withholding will have no effect on the employee's future Social Security benefits, and employers would still need to withhold the employee's 6.2-percent share of Social Security taxes, as well as income taxes.

Medicare taxes are not affected.

New hires filling existing positions also qualify, but only if the workers replaced left voluntarily or were terminated with cause. Family members and other relatives do not qualify.

In addition, the new law requires that the employer get a W-11 form from each eligible new hire certifying that he or she worked fewer than a total of 40 hours during the 60-day period, prior to the hire date.

Employers claim the payroll tax benefit either on the form 941 or 944, depending on their filing requirements with the IRS. Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010.

In addition, for each new worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

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All information in this newsletter is for illustration purposes only, and you must check with your tax advisor about your specific situation.

Meet the Staff—Cheryl Kruger

What brought you to Kruger & Clary?

My husband, Dale Kruger, made me an offer I couldn't refuse! I have been a seasonal employee here since 1999.

What kind of work do you specialize in?

My specialty is individual tax preparation, but I also prepare partnership, corporate, estate and trust tax returns.

What do you enjoy about your job?

Many people dislike or fear tax return preparation, so I really enjoy working with our clients to make the process less stressful. In addition, the staff here is fantastic! We



have a great team and are able to rely on each other for anything.

Where are you originally from?

I'm originally from Michigan but have lived in Colorado since 1981.

Do you have any children?

Dale and I have two daughters. Our older daughter just received her master's degree in Social Work from CSU and our younger daughter has completed the first year of her master's program in the School of Education at CU-Boulder.

What do you like to do in your spare time?

I love to travel! Over the past several years Dale and I have taken some wonderful trips to England, France, Germany, Austria, and Italy as well as to locations within the United States.

Inside this issue:

Auto Expense Deduction for Income Taxes	2
QuickBooks Users	2
Tax Changes Coming	3
When to apply for a new Social Security Card	3
Summer Events	4

"I am extremely satisfied with Melissa Clary at Kruger and Clary. I have worked with many different CPA's and none of them have ever come close to Melissa. She will go above and beyond every expectation. Needless to say, I would highly recommend this firm to any individual or business."

Erin Griffin
Advantage Property Management, Inc.

AUTO EXPENSE DEDUCTION FOR INCOME TAXES

If you are deducting any vehicle expenses for income tax purposes, you **are required** to keep a mileage log whether you are deducting actual expenses or mileage. There are quite a few free printable mileage logs available on the internet, or you can purchase logs wherever office supplies are sold. The log must include the date, total miles driven, the location of where you drove and the business purpose. If the vehicle isn't used 100 percent for work, you will need to provide the total miles driven with your mileage log. This will allow us to calculate the business percentage of use on that vehicle.

If you have a hard time keeping track of your business mileage, there are GPS devices for sale that will keep track of your business mileage. They can range in price from \$69 and up depending on the variety of the reports that you want to create. You can find these items for sale on the internet or wherever GPS devices are sold.

If you are claiming the standard mileage rate, the IRS rate for 2010 is 50 cents per mile. In addition to the mileage rate, you can also deduct the business portion of interest on a car loan and ownership tax.

If you are taking actual expenses instead of the standard mileage rate, the following expenses are deductible in proportion to your business percentage: gasoline, oil changes, maintenance, repairs, tires, insurance, auto license, vehicle rent or lease, depreciation, and interest on the car loan. Parking fees and tolls for business typically are deductible in full. These do not include parking fees at your place of business or tolls incurred while commuting to or from your place of business. Also, in order to depreciate your vehicle it must be in your business name for any business entity other than a sole proprietor. If the vehicle isn't in your business name you should change the title to your business name with the department of motor vehicles or not take depreciation expense.

Also, if you are the owner of an S Corporation, the personal percentage of vehicle expenses **must** be added to your wages and are subject to Social Security and Medicare taxes; therefore reimbursement for mileage might be the better way to go. Once actual expenses are taken you cannot switch to the standard mileage rate on that vehicle.



Important Information for QuickBooks Users.... If you are still using QuickBooks 2007, you will no longer have support starting May 31, 2010. You will have to upgrade to QuickBooks 2010 by that date, especially if you process payroll you will be unable to continue processing payroll if you have not upgraded. QuickBooks upgrades can be purchased at any local supply store or you can call us and we can get a discount through Intuit.

Don't forget that we have QuickBooks Pro Advisors on staff that are able to call QuickBooks directly if you are having specific problems. The technical support we receive is a higher quality than the one QuickBooks provides to the general public.

TAX INCREASES COMING

All those low tax rates that we have been enjoying are set to expire at the end of 2010. After 2010, the rates will revert back to pre-2001 rates.

The 2010 tax rates are as follows:

BRACKET	MARRIED FILING JOINT	SINGLE
10% bracket:	\$ 0 - \$16,750	\$ 0 - \$8,375
15% bracket:	\$16,751 - \$68,000	\$8,376 - \$34,000
25% bracket:	\$68,001 - \$137,300	\$34,001 - \$82,400
28% bracket:	\$137,301 - \$209,250	\$82,401 - \$171,850
33% bracket:	\$209,251 - \$373,650	\$171,851 - \$373,650
35% bracket:	\$373,651 and over	\$373,651 and over

A married couple with \$50,000 of taxable income would fall in a 15% bracket and have a federal tax bill of \$6,663.

A single taxpayer with the same amount of income would be paying \$8,681 in federal taxes.

Let's look at the *estimated* 2011 rates adjusted with 3% inflation. Remember, we lose the 10% bracket and the percentages are higher:

BRACKET	MARRIED FILING JOINT	SINGLE
15% bracket:	\$ 0 - \$70,040	\$ 0 - \$35,020
28% bracket:	\$70,041 - \$141,420	\$35,021 - \$84,872
31% bracket:	\$141,421 - \$215,528	\$84,873 - \$177,006
36% bracket:	\$215,529 - \$384,860	\$177,007 - \$384,860
39.6% bracket:	\$384,861 and over	\$384,861 and over

The same married couple with \$50,000 taxable income now will be paying \$7,500 in federal taxes. An increase of \$837, or 13%. The single taxpayer's tax bill will increase by \$766 or almost 9% to \$9,447.



Another change is in the taxation on capital gains and qualified dividends. Qualified dividends will be losing their special capital gains tax rates and slip back to ordinary income rates. Capital gains top rate will rise from 15% to 20%, and the 0% rate for those in the lowest tax bracket will now be 10%.

WE NEED YOUR FEEDBACK

All of our clients are very important to us, and we would greatly appreciate your feedback on the services we provide. This lets us know of areas that need improvement so we can continue to provide exceptional service. We have created a survey you can access by logging onto our website at www.krugercpas.com. You will find a box at the bottom of the homepage titled, "**Client Survey**". Click on that box, and you will be routed to the survey. Please take a minute to go online and let us know how we are doing and voice your opinion with regards to the services we provide. It is a confidential survey. Thank you in advance for taking time to fill it out.

There may be situations that arise when you will need to apply for a new Social Security Card. The following are examples of those situations:

1. If you have gotten married and either taken your spouse's last name, or hyphenated your name.
2. If you adopt your spouse's children and their last names are changing, you will need to apply for new social security cards for them.



3. If you adopt a child that is not your spouse's child.
4. If you have gotten divorced and reverted back to your maiden name.
5. If you have decided for any other reason to legally change your name.

To apply for a new social security card, you will need to fill out form SS-5, Application for a Social Security Card, and file it with the Social Security Administration. To get a copy of this form, you can go online to the SSA's website at www.socialsecurity.gov, go to your local Social Security office to pick up the form, or call them at 1-800-772-1213.

Kruger & Clary

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Kruger & Clary, CPA's was honored as one of Northern Colorado's fastest growing firms. We ranked 9th overall for businesses with gross revenue under 2 million.

WHAT TO DO: SUMMER EVENTS IN FORT COLLINS

Here's a chance to get out and enjoy summertime with the following events:

FREE Events

2010 Drake Road Farmers Market

Every Saturday thru September 25th, from 10:00 am-1:00 pm. Located at 802 W Drake Rd. Parking lot NW of Drake & Worthington. Vendor details at <http://www.drakeroadfarmersmarket.com/>.

Free Concerts at Old Town Square

Every Friday night thru July 30th, from 7:00 pm-9:00 pm. For venue information, visit <http://downtownfortcollins.com/events.php/detail/352/2>.

Asian Cooking Demonstrations

Interested in learning to cook new dishes? Free demonstrations given every Saturday at 11:00 am at the Bangkok Asian Market in the Cimarron Plaza on the SW corner of Drake and Shields. To get a free download of previous demonstrations, or to see the upcoming schedule of demonstrations, visit <http://www.bamfc.com/>.

A Victorian Sunday in the Park

Step back in time and enjoy the festivities of yesterday with a picnic in the park, music, historical presentations and Victorian craft demonstrations and displays. The Fort Collins Museum and the



Discovery Science Center will provide vintage crafts and activities for children in the historical buildings in the Museum courtyard. On June 13th from 10:30 am - 4:00 pm, at Library Park, 201 Peterson St.

Bohemian Nights at NewWestFest

August 20th at 6:00 p.m., August 21st from 11:00 am—10:00 pm., and August 22nd from 11:00 am—7:00 pm. Headlining the event will be The Flobots, Earth, Wind & Fire, and Earl Scruggs & Friends. For details visit <http://downtownfortcollins.com>.

Taste of Fort Collins

June 12th from 11:00 am - 9:00 pm and June 13th from 11:00 am - 7:30 pm at Civic Center Park. Tickets are \$5 before 3 pm and \$10 after 3 pm. Children under 12, seniors over 65, and military personnel with ID are FREE. For details, visit <http://tasteoffortcollins.com>.

REWARDS FOR REFERRALS

We always show our appreciation for referrals! Every time you refer someone to us, you will receive a small gift and your referral will also receive a thank you card for taking the time to consider us for their services. We promise to do our best by providing exceptional service and assisting those new clients with whatever their needs are. The greatest compliment you can give us is by passing along our name and information to someone you know.