



California Society of Tax Consultants  
**HIGH DESERT CHAPTER**  
15 CHAPTERS STATEWIDE  
Volume 52 June 2010

**President's Message**

Another meeting and seminar season is upon us. What is YOUR schedule for the upcoming months? Chapter meetings are important for a couple of reasons, one being the 2 hour continuing education credit, but the second being the networking opportunity we have.

Three hours out of each month, is not a large amount of time in our schedules. We are the smallest of all the chapters within CSTC. I would hope that we could have a good turnout.

Hope to see you at the June meeting. Please remember to get in your dinner reservation to Lynda Cook.

Thank You

Michele' Maiwald, EA  
Chapter President  
Hi Desert

**Speaker and Topic for June: Bob Harnett**

**TOPICS: Social Security**

This presentation has been designed to meet the requirements going back to of the Director of Practice of the Internal Revenue Service, the California State Board of Accountancy, and the California Tax Education Council, Business & Professions Code #22250-222859, including Code 31 of Federal Regulations 10.6(g), continuing education rule 88(c) covering maintenance of attendance records, retention of program outlines, qualifications of instructors and length of class hours. This does not constitute an endorsement by these groups.

**REGISTRATION: 5:30 PM**  
**DINNER: 6:00 PM**

**MEMBERS: \$ 30.00**  
**MEMBERS/GUESTS: \$ 40.00**

*\*Price when paying at registration*

**LOCATION:**  
**Lil' Bit of Country**  
**14335 Hesperia Road**  
**Victorville, CA**

## Hi-Desert Chapter CSTC Officers

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**CSTC SOCIETY**     [www.cstcsociety.org](http://www.cstcsociety.org)

The latest Reporter is available online now!

Do not forget to log into the society web page for the latest news, you can also view and print the reporter, and be sure to check out the members' only page and bulletin boards

Past editions of the newsletter for our Chapter are on line at [www.cstcsociety.org/HIGHDESERT](http://www.cstcsociety.org/HIGHDESERT) click on the Calendar/News link to view the education schedules and issues of the newsletter.

Anyone planning to attend a board meeting should contact any board members to confirm their attendance.

To assure timely delivery of your monthly newsletter please notify Lori LaPlante of any change of address, phone number or email address.

Come and Join Us at a Dinner meeting!!

We always look forward to seeing all our members. Take advantage of the opportunity to learn something new or just refresh your knowledge on some interesting topics.

**REMINDER** Wear your badge to be eligible for the drawing. If you do not have a badge, please tell Judie LaDow, so she can order one for you. If you have lost your badge, replacements are available at a cost of \$15.00, due at the time of ordering.

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## **FYI**

### **Recent Legislation Offers Special Tax Incentives for Small Businesses to Provide Health Care, Hire New Workers**

#### **Videos**

HIRE Act: [English](#)

Small Business Health Care Tax Credit: [English](#)

IR-2010-69, May 28, 2010

WASHINGTON — In recognition of National Small Business Week, the Internal Revenue Service encourages small businesses to take advantage of tax-saving opportunities included in recently enacted federal legislation.

A variety of business tax deductions and credits were created, extended and expanded by the American Recovery and Reinvestment Act of 2009 ([ARRA](#)), this year's Hiring Incentives to Restore Employment ([HIRE](#)) Act and the [Affordable Care Act](#). Because some of these changes are only available this year, eligible businesses only have a few months to take action and save on their taxes. Here is a rundown of some of the key provisions.

#### **New Health Care Tax Credit Helps Small Employers**

The small business health care tax credit, created under the Affordable Care Act, is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

The credit takes effect this year and is generally available to small employers that pay at least half the cost of single coverage for their employees in 2010. The credit is specifically targeted to help small employers that primarily employ low- and moderate-income workers.

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. The credit is

completely phased out for employers with more than 25 FTEs or with average wages of more than \$50,000.

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. More information about the [credit](#), including a [step-by-step guide](#) and [answers to frequently asked questions](#), is available on the IRS website.

#### **Two New Benefits for Employers that Hire and Retain Recently Unemployed**

Employers who hire unemployed workers this year (after Feb. 3, 2010, and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employer's share of Social Security tax on wages paid to these workers after March 18. In addition, for each qualified employee retained for at least a year whose wages did not significantly decrease in the second half of the year, businesses may claim a new hire retention credit of up to \$1,000 per worker on their income tax return.

These tax benefits are especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Family members and other relatives generally do not qualify.

Employers must get a signed statement from each eligible new hire, certifying under penalties of perjury, that he or she was not employed for more than 40 hours during the 60 days before beginning employment with that employer. IRS [Form W-11](#) can be used to meet this requirement. Further details, including [answers to frequently asked questions](#), are posted on IRS.gov.

#### **Work Opportunity Tax Credit Aids Employers That Hire Certain Workers**

The work opportunity tax credit (WOTC) offers tax savings to businesses that hire employees belonging to various targeted groups. These groups include people ages 18 to 39 living in designated communities in 43 states and the District of

Columbia, recipients of various types of public assistance, certain veterans, ex-felons and certain youth workers. The [instructions for Form 8850](#) detail the requirements for each of these groups.

Certification by the state workforce agency is generally required. Normally, a business must file [Form 8850](#) with the state workforce agency within 28 days after the eligible worker begins work.

An eligible employer can claim both the WOTC and the new hire retention credit for the same employee. However, an employer may not claim both the payroll tax exemption and the WOTC for the same employee. Therefore, any employer that chooses to apply the exemption to wages paid to a qualified employee may not receive the WOTC on any wages paid to that employee during the one-year period beginning on the employee's hiring date.

### **Exclusion of Gain on the Sale of Certain Small Business Stock**

An extra incentive is now available to individuals who invest in small businesses. Investors in qualified small business stock can exclude 75 percent of the gain upon sale of the stock. This increased exclusion applies only if the qualified small business stock is acquired after Feb. 17, 2009, and before Jan. 1, 2011, and held for more than five years. For previously-acquired stock, the exclusion rate remains at 50 percent in most cases.

### **COBRA Credit**

Employers that provide the 65 percent COBRA premium subsidy to eligible former employees can claim credit for this subsidy on their quarterly or annual payroll tax returns. To help avoid imposing an unnecessary cash-flow burden, affected employers can reduce their payroll tax deposits by the amount of the credit. For details, see the [instructions](#) for [Form](#)

[941](#).

## **California**

### **Heads-Up – Changes in Pass-through Entity Return Penalties**

Recently signed legislation, SB 401 changed the partnership late filing penalty<sup>1</sup> and added a new late filing penalty for S corporation returns.

We assess the late filing penalty if a partnership or LLC, treated as a partnership, files a late or incomplete return. The late filing penalty is currently \$10 per partner, for each month or fraction of the month the return is late or incomplete, to a maximum of five months. Beginning with returns required to be filed after January 1, 2011, the penalty will increase to \$18 per shareholder for a maximum of 12 months.

Currently S corporations are subject to the delinquent penalty<sup>2</sup>. Beginning with returns required to be filed after January 1, 2011, we will assess the new late filing penalty<sup>3</sup> in addition to the delinquent penalty. The new late filing penalty is \$18 per partner, for each month or fraction of the month the return is late or incomplete, for a maximum of 12 months.

We can waive both late filing penalties for reasonable cause.

(from [ftb.ca.gov](http://ftb.ca.gov))



### **DINNER RESERVATION**

*Please reserve \_\_\_\_\_ place(s) for the dinner meeting of the High Desert Chapter of the California Society of Tax Consultants on Wednesday, June 7, 2010.*

*All reservations must be received by Noon Monday June 7, 2010.*

*Enclosed is my check payable to CSTC for \$ \_\_\_\_\_.*

Advance Registration is \$25.00 for members and \$35.00 for non-members.

There will be an additional charge of \$5.00 for those who do not make advance reservations.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, St, Zip: \_\_\_\_\_

Mail to: Lynda Cook  
18930 Highway 18 #107  
Apple Valley, CA 92307

Meeting Place: Lil Bit of Country  
14335 Hesperia Road  
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