Wow! The year 2009 was tough!

So many small business owners really tightened the belt and cut back. Business owners did more work themselves instead of hiring out. What was the result?? Profits! In a down market no less! If you made more in 2009 than you did in 2008, **were you shocked? Even stunned?** For those of you who use Quick Books and regularly reconcile your bank accounts, take these steps each month to avoid the surprise at tax time:

Step 1 Run a comparative profit and loss report (this month compared to last month). Take a good look at the net income. Does it feel like you made that much? Where did the money go?

Step 2 Run a comparative balance sheet (this month compared to last month). This will show you where the money went. Did your bank balance go up? Did you buy equipment? Did your debt or credit card balances go down? Did you take more money out of the business or put more in?

Step 3 Run a comparative profit and loss report. Figure that you will be taxed on the net income amount on that statement; whether you paid off debt (and no longer have the money) or not. Use your 2009 tax summary to see your tax bracket percentage.

You don't need to be astonished when you see your taxable income at the end of the year. If you need help making heads or tails of your business income, please give us a call!

Note: special adjustments are made if you have accounts receivable.

New Hire Act

If you are ready to hire employees, there's **a tax break for you!** If you hire someone after February 3, 2010 who has not been employed for 40 hours during the 60 day period ending the day you hire them, you do not have to pay your portion of that individual employees social security tax. **That's a savings of 6.2% of whatever you pay them!** That lasts until the end of the year. In addition, if you keep that employee on for a total of 52 weeks you may be eligible for an **additional $1,000 credit!** Form W-11 needs to be completed. Call us for details, or download the form and instructions at www.irs.gov.

On the other hand, if you're **looking for work**, and haven't been employed for 40 hours in the last 60 days, letting a potential employer know that you qualify HIM for the credit <u>may help you land a job!</u>

Tired of Filing Tax Returns?

We know you love seeing us every year, but how would you like to file your 2010 tax return and **never have to file income taxes again?** This may be possible for our **retired** clients who are over 59 ½ years old. How? By converting your traditional IRA into a Roth IRA. The downside: You will have to pay tax on the entire amount you convert on your 2010 income tax return. Alternatively, this can be done in two years, so ½ of the converted amount is included in income on your 2011 return and ½ on the 2012 return. The upside: All distributions of principal you receive from your Roth IRA will be non-taxable.
So, if your only source of income is Social Security, maybe some interest and your IRA, you can pay a one-time tax, and never have to file again!!
If the value of your IRA has gone down this will save you even more by converting now, before the market goes up again.

Please contact us before implementing this to prepare for the 2010 tax cost.

If your child turns 17 this year, you will lose the child tax credit on your 2010 tax return. Make adjustments to your W4 to avoid owing!

Missed one of our newsletters? Go online to www.kevinkimpton.com to get the latest.