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Join Us in Adopting a Family for the Holidays This Year

We will be sponsoring the “Adopt-A-Family” Holiday program again this year where we collect and distribute gifts to share with local families in need. If you would like to donate, please contact Anne McPeake at amcpeake@brinkersimpson.com no later than December 2nd.



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What's New at Brinker, Simpson & Company

We are very proud to announce that, for the second year in a row, our dedicated staff has voted us a Best Place to Work! The program is sponsored by the Philadelphia Business Journal and is the result of interviews with company employees and a review of company policies. The awards ceremony was held October 13, 2011.



The partners of Brinker Simpson & Co., LLC are excited to announce the acquisition of Ruley Kontaras & Co., PC, Certified Public Accountants. Ruley Kontaras is a long established local firm serving a client base consisting of closely held businesses, high net worth individuals, and non profit enterprises. We look forward to continuing their quality services, and to introducing the Brinker Simpson team and resources to those clients. We welcome Bob Ruley, CPA and Kellie McShane-Harris to our firm, and we are all excited to meet their clients.

Once again, we sponsored the 11th Annual “Delaware County Run for Heroes”, the largest fundraiser benefiting the Delco Hero Scholarship Fund, for the children of Police, Firefighters and Emergency Responders who died in the line of duty. The 2011 Race attracted over 300 runners and walkers.

We welcome Jim Delizzio, CPA to the firm. Jim brings his extensive background of business planning and forensic accounting to the team. Jim resides in Springfield with his wife Carole and his family.

Brinker, Simson & Company is on Facebook. Please like us!



Look for us also on Linked-In where you can connect to our group page and/or connect to many of our partners and staff individually.



We sponsored the Delaware County Chamber of Commerce DelcoFirst Day at the Races, at Harrah’s Chester Casino & Racetrack in August. We had a great turnout for networking and team building

Honoring outstanding female leaders for their contribution to the Philadelphia Community, Brinker Simpson is supporting the American Red Cross, Southeastern Pennsylvania Chapter’s Spectrum Awards Breakfast, November 3rd. Our client, Lisa Gray will be receiving an honor at the event.

We are sponsoring the Delaware County Chamber of Commerce’s 125th Anniversary with their “Celebrating Our Members Past, Present and Future! Gala” being held on November 18, 2011 at Drexelbrook. To order tickets to this great event, visit: www.delcochamber.org.

AMERICAN JOBS ACT OF 2011

On September 12, President Obama submitted the “American Jobs Act of 2011” to Congress. The submission represented the formal release of the legislative text of the proposed jobs-and-stimulus measure, along with a section-by-section summary.

Small Business Provisions

The President’s proposal includes the following provisions that will apply to small business:

- Extend to 2012 the 100% bonus first-year depreciation deduction.
- Cut the employer portion of the Social Security tax in half from 6.2% to 3.1% on the first \$5 million in wages paid by all employers, private or public.
- For the last quarter of 2011 and for calendar year 2012, create a payroll tax **credit** that fully offsets the employer Social Security tax that otherwise would apply to increases in wages from the corresponding period of the prior year.
- Currently, employers that hire veterans who have been unemployed for at least 6 months and have a service-connected disability are eligible for a maximum tax **credit** of \$4,800. The President’s proposal would double the amount of that **credit** to \$9,600, and create two new hiring **credits** for veterans:
 - (1) a \$2,400 **credit** for employers that hire veterans who have been unemployed for at least 4 weeks; and
 - (2) a \$5,600 **credit** for veterans who have been unemployed for at least 6 months.

These **credits** would be available to tax-exempt entities as well as for profit employers.

- Create a tax **credit** of up to \$4,000 for hiring workers who have been looking for a job for over six months.

Individual Provisions

The President’s proposal includes the following provisions that will apply to individuals:

- The Act would cut Social Security taxes in half in 2012 for workers, from 6.2% to 3.1%, thereby providing a tax cut of roughly \$1,500 “to the typical family earning \$50,000 a year.” For 2011, workers pay 4.2% Social Security tax (down from 6.2% for 2010) on the first \$106,800 of wages.
- The rate for self-employed individuals would be cut in half as well, from 12.4% to 6.2%. For 2011, self employed individuals pay 10.4% (down from 12.4% for 2010).

Revenue Raisers

The above changes (as well as the other, non-tax revenue losers) would be paid for via a combination of the following:

- A 28% limitation after 2012 on the value of all itemized deductions and certain other tax expenditures for “high income taxpayers” (those with adjusted gross income over \$250,000 for marrieds filing jointly, and over \$200,000 for single taxpayers).
- Taxing carried interest in investment partnerships as ordinary income.
- Repealing enumerated oil subsidies.
- Modifying the foreign tax **credit** rules applicable to dual capacity taxpayers
- **The Bill has been modified to include a tax surcharge on millionaires.**

Contact us if you have any questions.

HOME SALES AND THE 3.8% MEDICARE SURTAX

Rumors that all home-sale profits will be hit by the 3.8% Medicare surtax are false. In fact, the special tax will rarely apply to home sales. Yes, the health care reform law imposes the surtax on investment income starting in 2013. But it applies only to singles with adjusted gross incomes over \$200,000 and married couples with AGIs over \$250,000. Most home-sale profits won’t show up in AGI, since the first \$250,000 of gain is tax-free (\$500,000 for married couples) if the home was owned and lived in for at least two of the five years before the sale. Only profit above those levels can fall victim to the surtax, and then only for higher-income taxpayers. But note this: Profits on sales of rental properties and second homes could be hit by the 3.8% surtax after 2012.

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What Tax Documents Do I Keep and For How Long?

Once your 2010 tax return has been completed, you can rest easy until it's time to prepare for filing next year...right? Wrong. Before you turn out the lights, collect all the vital materials from your 2010 return and store them in a safe place. The documents you don't need anymore can be thrown away, after shredding them or destroying them, of course.

Here are Several Common Areas Where Record Retention is a Must:

Securities: Under a 2008 law, financial institutions must provide you with information indicating the basis of securities sold, the amount of the sales proceeds and whether a gain or loss is long-term or short-term. To establish basis, you still must retain the information for securities purchases before 2011. In addition, retain 1099 forms for dividends and capital gains reported from mutual fund investments. Set up a system for tracking dividend reinvestments. If you don't, you may end up paying tax on these amounts twice—once when they are reported as dividends and once when the securities are sold.

Charitable Donations: It's necessary to have a written confirmation from the charity or bank statements or other receipts to prove deductions. For contributions of \$250 or more, you should corroborate gifts with a contemporaneous written acknowledgement. If you've donated property values at more than \$500, you must document the information about the gift.

Expiring Tax Breaks

Several special tax breaks are scheduled to dry up after 2011. They include direct payments to charities from IRA's, Research & Development Credits, write off for state sales taxes, college tuition breaks and the \$250 deduction for teacher supplies. Also, and one that will affect many taxpayers, the AMT exemption (that amount of AMT income that is exempt from tax) is scheduled to decline after 2011. Experts predict these breaks will be extended, as they have in the past, but action on them may be after the next presidential election. The planned cut in the 100% bonus depreciation...down to 50% will likely take place at the end of 2011.

Estate and Gift Tax Rules

Congress has done nothing to make the estate and gift tax rules implemented earlier in the year, permanent. So planning is done without a clear set of rules past 2012. For 2011 and 2012, the \$5 million exemption for estate taxes is set. This will roll back to the old \$1 million threshold after 2012. The maximum tax rate (a flat rate of 35% right now) is set to soar back to the 55% rate, equal to the rates in effect before 2001. Also, the portability of the estate exemption between spouses is set to expire as well after 2012. Experts believe there will be no quick action on estate taxes, and possibly no changes until after the rules expire.

Strategy: Use the rules today to the optimum benefit. Individuals can give away up to \$5 million of assets tax free today, up to \$10 million for married couples. All appreciation in these gifted assets will then be outside your estate, and not subject to the whatever tax rate and rules are in place after 2012.

Government Jobs

Pennsylvania lists government jobs of 746,500 with a total population of almost 13 million. Texas has 1,868,500 government jobs with a population of over 25 million (June, 2011).

Travel and Entertainment: Keep a contemporaneous record of your T&E events listing all the details on dates, locations, amounts, the business parties involved and your business purposes. Receipts for any expenses of \$75 or more must be retained.

Home Expenses: Hold onto the settlement sheets when you purchased the home and the 1098 forms you've received for mortgage interest and property taxes. For home improvements, keep receipts of expenditures that may be added to your basis. If you sell the home in the future, the basis adjustments can reduce any taxable gain above the usual \$250,000 home sale exclusion (\$500,000 for joint filers). The improvement documents should be held until you sell the property.

IRA and Retirement Plans: Keep records of contributions to traditional and Roth IRAs as well as amounts contributed to a 401(k) or other employer-provided retirement plans. Retain year-end statements for retirement accounts.

How Long to Keep the Records:

Practically speaking, the statute of limitations on additional tax assessments runs for three years from the time that you've filed your tax return or the due date, whichever comes later. For example, you should hold onto 2010 records until at least April 18, 2014. To play it safe, we recommend keeping records for as long as ten years. However, if you're trying to remove clutter from your files, three years is the bare minimum.

5 Steps to a Secure Retirement

Wondering whether you'll ever be able to afford to retire? Recent statistics suggest that many savers are back on track after the market meltdown a few years ago, but some may need to adjust their vision of retirement. Here is a five-step guide to make the "new normal" work for you.

Step 1: Figure your target savings goal and whether you're on track to meet it.

Step 2: Aim to contribute 15% of your gross earnings to your retirement savings, but at the very least, contribute enough to your 401(k) to capture your employer match.

Step 3: Work longer, if you're able.

Step 4: Consider buying an annuity for guaranteed income in retirement.

Step 5: Delay collecting Social Security benefits until your normal retirement age or later.

What Homeowners Should Know About Strategic Default

*Courtesy of Peter McGuinn of ReMax Hometown, Media, PA
www.yourhometownhomes.com petermcguinn@remax.net*

Who would risk the negative impact of defaulting on a mortgage if they didn't really have to? About 17 % of Americans who defaulted on their mortgages in the second quarter of 2010 did exactly that, according to a study by Experian, the leading global information services company.

“Strategic default”—choosing to stop paying on your mortgage even if you can afford the monthly payments—peaked at the end of 2008 during the height of the Great Recession. At that time, strategic defaults accounted for 20 % of all mortgage defaults 60 or more days overdue, according to Experian.

And while the percentage of Americans taking this option has steadily declined since then, the credit risks for strategic defaulters remain unchanged. For those who owe more on their home than its current market value, it's tempting to walk away from a bad investment, even if the monthly mortgage payment is affordable. But when considering strategic default, homeowners should keep several factors in mind:

- Defaulting on a mortgage is the second most damaging thing someone can do to their credit, even if they continue to pay other bills. Only bankruptcy will affect a credit score more adversely than foreclosure.
- Foreclosure remains on a credit report for seven years. During that time, securing other credit at reasonable terms and rates will be very difficult, if not impossible.
- Potential employers are looking at credit reports. In fact, 60 % now check applicants' credit reports, according to an article in the Washington Times.
- Fannie Mae, the government-controlled mortgage giant, said it would implement a policy to prohibit strategic defaulters from getting a new Fannie Mae-backed mortgage for seven years from the date of foreclosure.

• Finally, in some cases, the debt that foreclosure “erases” may be recorded as income, which means taxes may have to be paid on it.

To learn more about credit management, credit reports, credit scores and the factors that affect them, visit www.Experian.com. Contact us if you find yourself in a mortgage default situation.

Cell Phones

Employer provided cell phones are tax free fringes as long as the companies give the phones to workers primarily for business use. Employees won't be taxed on either the business or personal use of the phone - no log is needed to separate personal use. Also non-taxable is the employer reimbursement for business use of employees' personal phones.

Client Spotlight

AALIVE

Adults with Autism: Living with Independence Value & Esteem



AALIVE is a local grassroots non-profit organization formed in 2008 for the purpose of offering options

to enhance and improve the lives of adolescents and adults with special needs. One of the most unique goals of AALIVE is that they strive to maintain a family-like culture where supporters and beneficiaries have the opportunity to meet and attend events together. These interactions allow the AALIVE supporters to enjoy and actively participate in real-life experiences with those they are assisting. These interactions typically result in the development of shared relationships. In essence, the supporters and beneficiaries partner to learn about the value of difference. Most of the AALIVE resources are directed at supplementing our local special needs services and programs. Currently, AALIVE is piloting a vocational training project in Springfield High School. This program offers the life skills students need to learn the concepts of responsible money management, but more importantly, it provides a natural setting for positive interaction between all of the students and staff within the high school. This same vocational program is being introduced into several local programs. AALIVE is also facilitating a monthly community outing for a group of adults on the autism spectrum. There are many decisions involved in agreeing on where to go, which has promoted a natural setting for communication and compromise among this group of adults. In addition, AALIVE hosts awareness seminars and discussions to help our community understand more about the characteristics of Autism and the dynamics of families living with Autism. Each of these awareness events is done in an informal forum and encourages participation from all members of our community. Each year, AALIVE hosts one fundraising event. Because AALIVE remains a wholly volunteer-based organization, all proceeds go back into assisting our special needs friends. This year's event – **The 4th Annual We're Feelin' AALIVE Social** - is scheduled for November 11, 2011 (11-11-11). For more information about the work of AALIVE, we invite you to visit their website at: www.aalive.org.

New Payment Card Reporting Rules

For 2011, credit and debit card companies will begin to issue 1099-K forms on payments to merchants. Third party networks, like Pay-Pal, will give 1099-K's to payees with over 200 transactions and over \$20,000 in annual sales volume. These amounts need to be separated for tax reporting, and listed on a separate line of the business' tax return... which looks to be an accounting nightmare. This is a way the Service believes they will match income reported by businesses to the forms that the companies provide. **Make sure you keep the 1099-K forms you receive in 2011.**

Interest Rates

After September 30, 2011, the IRS interest rate on overdue taxes will drop to 3%...5% on corporations that owe more than \$100,000. On refunds, the Service will pay 3% to individuals and 2% to corporations.