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We've created a new website for Brinker, Simpson & Company. As a valued client you get a secure, password protected portal to store and access your important financial documents from anywhere at anytime. You will always have access to your tax returns, financial work papers, or accounting database. This portal also allows us to work together efficiently by securely exchanging working documents, scanned receipts and very large QuickBooks files. To start using the client portal, log onto [www.brinkersimpson.com/Resources/Client Portal](http://www.brinkersimpson.com/Resources/ClientPortal) and register. Call us if you have questions: 610-544-5900. E-Mail your comments about the new web-site to hleese@brinkersimpson.com.



WHAT'S NEW AT BRINKER, SIMPSON & CO.

Brinker, Simpson & Company teamed with ValPak of Delaware Valley for a bowling afternoon that raised \$3,800 for the Loaves and Fishes Food Pantry. The Pantry serves more than 12,000 individuals each year and provides in excess of 240,000 meals. To contact or contribute, they can be reached at the Prospect Hill Baptist Church, Phone: 610-532-9000 or web address: <http://www.delcolloavesandfishes.org>.

We welcome Debbie Sparacino as our head of Client Services.

We also welcome back Andrew Brenner, CPA. Andrew was an intern with us ten years ago and spent five years with the firm. Andrew will be a Manager in our Small Business Division.

Bob Simpson was elected to a 3 year term to the Board of Directors of the Delaware County Chamber of Commerce.

Tony Mitchell was re-elected as Treasurer of the Haverford Soccer Club. The Club consists of over 3,000 members and is dedicated to promoting soccer for youth between the ages of 6 and 18. www.haverfordsoccerclub.org.

Linda Scafiro serves as the Chairperson of the Finance Counsel and lector for her parish community, Resurrection Parish in Delran, NJ.

Matt Mingey was elected to the board of A.A.L.I.V.E. (Adults with Autism: Living with Independence, Value and Esteem.) He is also Treasurer of Keystone Charities Fund, a non-profit group for children with special needs.



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TAX & BUSINESS UPDATE

Summer 2010
Volume 4, Issue 2
SPECIAL INTEREST
ARTICLES:

HEALTH CARE CHANGES
Hiring Incentives to Restore
Employment (HIRE Act)

HIGHLIGHTS:

Health Care Changes - Year by Year	1
More Health Care Changes - Premiums	1
ROTH IRAs for Children	2
Estate Taxes	2
Energy Credits for 2010	2
First Time Homebuyer & Repeat Buyer Credits	2
Higher Rates	2
Information Technology for Your Business	2
Hiring Incentive to Restore Employment (HIRE Act)	3
Big Changes for S - Corporations in 2011	3
W-2 Form Reporting	3
Changes in Reporting Payments	3
Spotlight - Hyperbaric Therapy USA	3
Section 179 Expensing Extended	3
What's New at Brinker, Simpson & Company	4

HEALTH CARE CHANGES Year by Year

The Health Care Act passed this spring will make sweeping changes to all businesses starting in 2010. Here they are by year:

2010

- Adult Children Eligible for Coverage (but at an added cost!)
- Indoor Tanning Salons - 10% excise tax
- Credit for small employers covering employees under a health plan - up to 35% of premiums paid (10 and fewer employees) phasing out at 25 employees. *This is a very complicated credit - please contact us with questions - we have a guide to compute your credit.*

2011

- Over the Counter medicines will no longer count for HSA, HRA, or MSA reimbursement.
- Penalty tax of 20% on non-medical distributions from HSA, HRA or MSA
- Small employer cafeteria plans available
- Premiums paid to be reported on W2 forms (not taxed - just shown).

2012

- Medicare tax to be increased on high wages (\$200,000 and \$250,000 limits)
- Medicare tax on unearned income for high income taxpayers (interest, dividends, capital gains)
- Medical expenses need to exceed 10% of AGI (7.5% now) for deduction.



Other changes in 2014 through 2018 - including mandatory coverage for businesses.

MORE HEALTH CARE CHANGES - PREMIUMS

BUSINESS OWNERS - Don't get lost in the magnitude of multi-year changes brought on by the New Health Care Act. There is a trend in small businesses that is happening NOW. In a survey of a cross section of our clients, we've found they are all subject to huge premium increases at their health insurance renewal dates in 2010. The increases were:

- 15 person service company + 24%
- 60 person sales company + 42%
- 20 person sales company + 9%
- 42 person contracting company + 24%
- 19 person medical services company + 33%

There are 2010 increases - and speaking with a few brokers - get ready for bigger increases in 2011! The insurance companies are filling up before mandatory coverages kick in!

ROTH IRAS FOR CHILDREN

If your child (or grandchild) is working this summer - making a contribution to a **ROTH IRA** is a great idea. The annual limit is \$5,000 (but not more than the child's earnings). A \$5,000 contribution to a 16 year old's ROTH, that earns 8% each year, will be worth \$217,000 at age 65 - **tax free**.

ESTATE TAXES

As we publish this newsletter - there is no federal estate tax - but changes will soon be made. You may have seen the recent story of the wealthy Texan who passed away in March with a \$9 billion estate. Had Congress extended the expiring 2009 tax rates to 2010, the government would have collected a tax of **\$4.3 billion** - as it turns out, they got **\$0**.

There is a lot of discussion on how this tax will change, but be assured it will come back in some form (and may be retroactive to January 1, 2010).

Pennsylvania resident decedents are still subject to the Pennsylvania Inheritance Tax - which has not changed. Death taxes differ by state, so contact us if you have questions.

INFORMATION TECHNOLOGY FOR YOUR BUSINESS

As many experts will tell you, it is better to work on your business than in your business. One area that we see businesses spending too much unproductive time is IT procurement. IT Procurement involves understanding, selection and purchasing of technology hardware and software. It is essential to know that you are not under-buying, over-buying or over-spending. It can also be time consuming to research products, pricing and availability. When picking a resource to assist with IT purchase decisions, you should consider the following factors:

- Is IT procurement a core competency of the IT company or person you are dealing with or is it something they offer as a convenience?
- Is the resource vendor-agnostic or influenced by manufacturers to lead you toward a self-serving decision? (Some companies notoriously oversell people who call them looking for expertise on a purchase decision.)
- Does the resource have partnerships with many manufacturers and distributors to offer you best of breed solutions at the best prices?
- Does the resource exhibit in-depth product knowledge to lead you to the best buying decision (i.e. models, warranties, licensing options and technical support). Is the resource just trying to "make a sale", or maintain a value added relationship with you to ensure an understanding of your business technology needs and long-term satisfaction?

The answers to the above questions should be relatively clear. Since IT procurement is a free, value added service, it would cost you nothing to consider an alternative resource for at least this aspect of your overall IT needs.

Bruce Rosen is founder and Managing Partner of NetData Systems, an IT consulting company specializing in technology planning, procurement, management and protection. If you have any questions on the above article or any other IT related issue, he can be reached at brosen@netdatasystems.net or 610.543.1500.

ENERGY CREDITS FOR 2010

If you have not used the Energy Credit in full in 2009 - you can use what's left in 2010. The same limits apply - 30% of qualifying costs up to \$5,000 (maximum credit is \$1,500 - both years combined) - on your primary residence only!

What Counts

- New exterior doors and windows
- New Insulation
- New efficient heating and air conditioning systems (check with the manufacturers and contractors)



Solar and wind energy and geothermal systems still generate unlimited tax credits at 30% of the costs incurred.

FIRST TIME HOMEBUYER & REPEAT BUYER CREDITS

They expired June 30 - contracts needed to be signed by April 30. No extension is planned...so far.

HIGHER RATES!

Not just income taxes in 2011 - first class postage stamps will go up from \$.44 to \$.46 on January 1, 2011. Other postage rates will go up an average of 5%.

HIRING INCENTIVE TO RESTORE EMPLOYMENT (HIRE ACT)

We sent a pamphlet out on this a couple of weeks ago, but here are the highlights:

- If you hire a new employee who had not worked more than 40 hours in the last 60 days, you are not required to match the social security tax (6.2%) on the employee's wages (unemployed students count, family members do not).
- If you hire a new employee - and retain that worker for 52 weeks, you can claim a credit of the lesser of \$1,000 or 6.2% of wages paid - credit is available in the year that the 52nd week occurs.

BIG CHANGE FOR S CORPORATIONS IN 2011

A big tax increase looms in 2011 for S firm owners. The Social Security and Medicare tax will be applied to the profits of small personal service S firms (accounting, law, health and other professional services). Currently, the tax is 15.3% of the first \$106,800 in profits and 2.9% above that. (If you are taking payroll, you are paying this tax on payroll, if over \$106,800 in payroll, you'll be subject to the 2.9% additional amount.)

This will make S elections less attractive - leaving LLC's the likely entity of choice - taxes will be the same - and LLC's offer more flexibility for basis and ownership. There will be changes to this bill before the year is through.

W-2 FORM REPORTING

Employers be informed - in 2011 you will be required to report on your employees' W-2 forms the amount of health insurance premiums paid. Employees will not owe tax on this - just a way for the government to gain information.

CHANGES IN REPORTING PAYMENTS

Starting in 2012 - if you make payments in the course of business to a vendor in excess of \$600 - you will be required to issue a 1099 form - no further exemptions for payments to corporations. Every vendor will get one. This stands to be a paperwork nightmare.

SPOTLIGHT: HYPERBARIC THERAPY USA - Newtown Square

Considered mainstream and unconventional at the same time, Hyperbaric Oxygen Therapy (HBOT), a treatment delivering 100% oxygen to a person within a pressurized chamber, is gaining increased recognition as a valuable adjunct therapy for a growing list of medical conditions—including autism.

Hyperbaric oxygen therapy has been used since the 1800s. Recommended by the FDA, it is used to treat a host of medical problems including decompression illness (the bends), non-healing diabetic wounds, carbon monoxide poisoning, crush injuries and more.

While being considered a mainstream treatment for these conditions, Dr. Pete Stephens, a retired emergency room physician in Southern New Jersey, found that HBOT was being used internationally for a host of complex disabilities and neurological impairments, including traumatic brain injury, post traumatic stress disorder, stroke, sports injuries, Lyme's disease, rheumatoid arthritis, colitis, autism and much more. He began his own research which produced more surprising and dramatic results in patients that were considered "hopeless."

Dr. Patrick Elliott, DO, F.A.C.S., a board certified surgeon at Crozer-Chester Medical Center and parent of twins with Autism Spectrum Disorder, is the Medical Director and has been a client of Brinker, Simpson & Company for eight years. Dr. Elliott has done extensive research into alternative therapies and has found HBOT, in combination with nutrition and detoxification, to be a very promising adjunct therapy for Autism. Dr. Elliot recently held a presentation entitled Hyperbaric Oxygen Therapy: A Cutting Edge Approach for the Treatment of Autism, that was held at one of several new clinics that offer HBOT — Hyperbaric Therapy USA's Newtown Square Center of Excellence.

Contact Hyperbaric Therapy USA's Newtown Square Center of Excellence at 3744 West Chester Pike, Newtown Square, PA 19073 (610-355-1747) to schedule a complimentary consultation with one of their staff physicians. More information can be found at www.hbtusa.com.

SECTION 179 EXPENSING EXTENDED

The HIRE Act includes an increase in the "Code Section 179" expensing of qualified fixed assets placed in service in 2010. The limits for 2010 are \$250,000 maximum write-off so long as total assets purchased do not exceed \$800,000 (same as the rules in 2009).