

Join Us in Adopting a Family for the Holidays This Year

We will be contributing to 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 3rd.

What's New at Brinker, Simpson & Company



We are very proud to announce that our dedicated staff voted us one of the Philadelphia Business Journal's Best Places to Work 2010! The contest is based on how workers score their companies in an anonymous online survey administered by an independent third party, so there are no outside judges or subjective criteria. Said Sonja Sherwood, special reports editor for the Philadelphia Business Journal. "If you don't have the loyalty of your employees, not only can't you win, you can't even qualify to compete."

Aimee Moran (nee Marchand) married Dennis Moran this past Labor Day weekend. We wish them all the best.

We are happy to welcome Sarah A. Robb to the firm on October 25th as a Senior Accountant in the tax and small

business division. Sarah is a graduate of Cabrini College who was with a large firm for two years. She can be contacted at srobb@brinkersimpson.com

Brinker, Simpson & Company is on Facebook and LinkedIn where we share pertinent information about the firm, with various updates, announcements and discussions. So, if you are on Facebook or LinkedIn, please join us. You can enter Brinker, Simpson & Company in a search field and should be able to find us. If you need help, please contact Hannah Leese at 610-544-5900 for instructions.

Brinker, Simpson & Company is very excited to be a major sponsor of the Philadelphia Soul Arena Football team.

Once again, we sponsored the 10th Annual "Delaware County Run for Heroes" the largest fund raiser benefiting the Delco Hero Scholarship Fund for the children of Police, Firefighters and Emergency Responders who died in the line of duty.

We sponsored the Delaware County Chamber of Commerce DelcoFirst Day at the Races at Harrah's Chester Casino & Racetrack on August 27th. More than 135 people were in attendance.



Our firm also supported the Montgomery County Community College's Community Day 5K Run to provide scholarships for students.

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 4th.

Tax & Business Update

Fall 2010, Volume 4, Issue 3

SMALL BUSINESS JOBS ACT

After months of debate, the Senate passed the Small Business Jobs Act. There are quite a few tax breaks, but here is a rundown of five that have the potential to strongly impact qualifying small businesses.

100% Exclusion of Capital Gains

The bill would eliminate capital gains taxes on investments in qualifying small businesses. Only C corporations with assets of less than \$50 million would qualify for this tax break. The investor must buy the stock at "original issue," meaning it's purchased directly from the company, and has to hold it for at least five years.

Carry Back Provision Extended to 5 Years

For businesses that book a profit and in subsequent years realize a loss, tax rules allow the business to "carry back" its loss and deduct money from earlier profits. By filing an amended tax return for the earlier, profitable year, the business can claim an immediate refund on the taxes it paid. The bill allows certain small businesses to extend the carryback for 5 years.

Increase of Section 179

"Section 179" of the tax code allows businesses to write off capital expenditures immediately, putting cash in a company's pocket quickly. Thanks to the Recovery Act, the "Section 179" deduction has been extended through 2011, and the maximum increases from \$250,000 to \$500,000.

Bonus Depreciation Extension

Businesses can also opt to recover the cost of capital expenditures by writing off a bit of the cost of the purchase over a number of years, following a depreciation schedule. For now, businesses can front-load that deduction by writing off 50% of capital expenditures made in 2008 and 2009. This bill extends that first-year depreciation for qualifying property that is put in service in 2010.

Help for Start-Ups

Currently, entrepreneurs can deduct up to \$5,000 in start-up expenses. That amount is reduced by the amount that the start-up's expenses exceed \$50,000. The bill would increase the deduction to \$10,000 for 2010, and the deduction would be reduced by the amount of an entrepreneur's expenses in excess of \$60,000.

HEALTH CARE CREDIT

How it works: Almost 17 million people work for businesses that are in firms that will be eligible for the tax credit between now and 2013, according to analysis from the Commonwealth Fund, a private health care research group.

The credit is phased, and the largest one is offered to the smallest of small businesses. More than 4 million firms will be eligible for the credits, according to a report from Families USA and Small Business Majority.

To get the credit, a business must have fewer than 25 full-time workers or the equivalent (the hours worked by part-timers count), pay an average annual wage of less than \$50,000 and cover at least half the cost of health insurance premiums for their workers. There are a few additional restrictions, including caps on how high qualifying premiums can be. In addition, the credit works on a sliding scale: Businesses

with fewer than 10 employees and average wages less than \$25,000 can max it out, while larger firms and those with higher payrolls collect a reduced credit.

For 2010 through 2013, the tax credit covers up to 35% of the money a qualifying business spends on its health insurance premiums. In 2014, the top tax credit bumps up to 50%. The credit is available for a maximum of six years: 2010 through 2013 and for any two years after that.

For-profit companies use the credit to offset the federal income taxes they pay for the year. Any unused portion of the credit can be carried forward for up to 20 years to reduce future taxes. Tax-exempt organizations are eligible for a refundable tax credit, although the percentage credit they get is slightly smaller.

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Taxes, Interest Rates, The Economy & Unemployment: Where We Are Headed in 2011

As 2010 comes to a close and we look into our crystal ball, one thing is certain and that is the uncertainty of the economy, interest rates, unemployment and taxes. Regarding the economy, most major publications in September declared that the recession was over. With inflation appearing to be in check, it is expected that Federal Reserve Chairman, Ben Bernanke, will hold the line on interest rates. Lending to small businesses should improve particularly from community banks and the Small Business Administration as a result of the Small Business Jobs Act recently signed into law. Additional money becoming available along with reasonable interest rates should help spending and investment by small businesses. Employment is expected to remain flat despite the passage of the Small Business Jobs Act which is expected to add 500,000 jobs. Current data shows only 10% of the 8.4 million jobs lost during the recession have been recouped. This same data shows that companies are keeping workers employed by increasing their hours. The average work week is now averaging 34.2 hours up from the October 2009 bottom of 33.7 hours. The pre-recession norm was 34.6 hours. Finally, the Bush tax cuts expire at the end of 2010. If Congress does nothing, all tax rates across the board will increase. Congress has abandoned plans to vote before Election Day on extending the Bush tax cuts for the middle class while eliminating the Bush tax cuts for certain Americans in higher income levels. This raises major uncertainty in planning for 2011. If Congress does not pass legislation by December 31st, tax rates will increase not only on income but also on estates, capital gains and dividends. Every family in America faces a major tax increase if nothing is done. From all that we have heard and read, it is expected that the Bush era breaks including those for high earners will be extended for at least another year. We are keeping on top of the situation and as soon as something certain is passed by Congress, we will keep you informed of the impact and how it will affect you.

New Rules on Home-Sale Profits

One of the greatest tax breaks for homeowners (in addition to being able to deduct property taxes and mortgage interest) is the ability to claim tax free profits on the sale of a principal residence. Individuals can exclude up to \$250,000 (\$500,000 if married) of profit on the sale of a home as long as the taxpayer has lived there two out of five years prior to the sale. However, a recent tax law change has updated that rule as it pertains to vacation homes and rental properties. The amount of gain that will qualify for the exclusion is now limited based on the amount of time that the house is used as a primary residence. If the house is used other than as a primary residence, capital gains must be allocated between qualifying (used as a primary residence) and non qualifying use. For the purposes of calculating capital gains, the period of non qualifying use is any period of time the property is not being used as a main home that begins on or after January 1, 2009.



Severance Pay and FICA Tax

A recent district court decision, U. S. Quality Stores, Inc., et al., 2/23/10, upheld an earlier bankruptcy court decision, that any payment to an employee pursuant to a plan under which the payments are made because of the employee's involuntary separation from employment (whether or not temporary) are not considered "wages" subject to FICA or FUTA tax. The payments were held to be treated as "supplemental unemployment compensation benefits" (if includible in gross income for purposes of income tax). In order for the payments to qualify, the separation from employment must have resulted directly from a reduction in force, the discontinuance of a plant or operation, or other similar conditions. Although it is understood that IRS will appeal the Quality Stores decision, **any employer that paid significant severance payments during 2007 or after, should consider filing a protective refund claim for the FICA taxes paid by filing Form 941.** No refunds will be issued until the appeals process is exhausted. The refund claims must adhere to recently adopted IRS procedures, including an employee (former employee) notification requirement and collection of statements from employees (former employees). For the 2007 calendar year, a FICA refund claim must generally be filed by April 15, 2011.

Gift Taxes

If you gave any one person gifts in 2010 that were valued at more than \$13,000, you must report the total gifts to the Internal Revenue Service. **You may have to pay tax on the gifts.** The person who receives your gift does not have to report the gift to the IRS or pay gift or income tax on its value.

Gifts include money and property, including the use of property without expecting to receive something of equal value in return. If you sell something at less than its value or make an interest-free or reduced-interest loan, you may be making a gift.

There are some exceptions to the tax rules on gifts. The following gifts do not count against the annual limit:

- Tuition or medical expenses that you pay directly to an educational or medical institution for someone's benefit
- Gifts to your spouse
- Gifts to a political organization
- Gifts to charities
- If you are married, both you and your spouse can give separate gifts of up to the annual limit to the same person without making a taxable gift.

For more information, contact our office.

IRS Invites Public Comment on 1099 Expanded Business Reporting Requirements

The IRS has invited public comment on how to most effectively carry out a law change that, starting in 2012, will require businesses to report a wider range of payments to contractors, vendors and others, usually on Form 1099. These comments will help the IRS issue guidance that implements this provision in a manner that minimizes burden and avoids duplicate reporting.

The Internal Revenue Code generally requires information returns to be made by every person engaged in a trade or business who makes payments, aggregating \$600 or more in any taxable year to another person in the course of the payer's trade or business. The information returns must be filed with the IRS and corresponding statements must be sent to each payee.

The change, enacted in March but not effective until 2012, expanded existing reporting requirements to include a business's payments related to goods and other property, and payments to most corporations. With some exceptions, payments to corporations are currently exempt from this requirement. The change in law adds to the reporting requirement payments of 'amounts in consideration for property' and 'gross proceeds' to the list of payments subject to reporting. Some exceptions include most interest, dividends, royalties, and securities and broker transactions. Under a proposed regulation, many business purchases made with credit or debit cards would also be exempt from the new reporting requirement because they are already reported by banks and other payment processors. The IRS seeks comments on additional circumstances in which duplicate reporting might otherwise occur and on rules that would prevent such duplicate reporting.

The Mortgage Update By Scott E. Gaev

2010 is the year to refinance your mortgage. If you have not refinanced your mortgage in the last 12 months, you should look into it now. Interest rates are at 50 year lows for residential mortgages. Rates are as low as 3.625% for a 7 year adjustable rate mortgage and as low as 4.25% for a 15 year fixed rate mortgage. Your savings range from \$200 to \$700 per month depending on the size of the mortgage. Contrary to what the media is reporting, banks and mortgage companies are lending money and originating new mortgages plus refinancing existing homeowners. You should be prepared to supply financial documents so the lender can qualify you for a new mortgage. This is a Once in a Lifetime Opportunity not to be Missed! Call Scott Gaev at 215-341-6896 or e-mail him at scott.e.gaev@gmail.com.

A Life Insurance Tune-Up, By Mike Hendrixson

If you are like most people, you probably assume that once your life insurance is set up, it would be taken care of forever. We have a client who had purchased life insurance about 6 years ago, through his business association. I am his financial guy. I had asked him to do a life insurance review several times but he put it off because he felt fine and did not want to bother. I made his annual call recently and he finally found the time to do the review. And it was a good thing he did. When I summed up his situation, between his mortgage, his income and 3 college tuitions down the road, if he died, his life insurance proceeds would have been depleted through normal spending for his family in about six years.

He also was not aware that some forms of life insurance have become LESS EXPENSIVE. I was able to get him a much more adequate amount of protection at a price comparable to what he was paying. We get our cars tuned up because we want them to get us where we are going. A life insurance tune up is as important! So please contact Mike Hendrixson at 610 647 3866 or mjhclu@verizon.net.

Client Spotlight

FUTURA



Janet E. DeNicola, a technology industry veteran, is one remarkable entrepreneur with an eye to the future.

Her technology experience stems from the company, Amtech, which she co-founded in 1981 with her husband of 36 years, Cos Denicola. Amtech, celebrating its 30 year anniversary on April 1, 2011, provides Enterprise Resource Planning (ERP) software (similar to a mini SAP) to support and service the Corrugated Box and Folding Carton industries.

Janet formed Futura Services Inc in 1992 in order to service a multitude of industries with a high level of broad technology solutions, services and support. Today, the company specializes in the support of Mobile Technology and Power (Battery) Systems and has managed major deployment projects for large enterprises such as Pepsi, Mercedes, Subaru, Kraft Foods, McDonalds, Dollar Rent-A-Car, and Temple Inland. Futura boasts 2500 customers and 100,000 devices supported.

More than 1,500 hospitals throughout the United States look to Futura to handle power system support on their mobile point-of-care carts. To further meet the growing IT needs for the Health Care industry, the company has spun off another subsidiary, Futura Health Care Technology, LLC.

Futura has made the "Inc 5,000" list for 4 years in a row. The company has also been on the "Deloitte Fast 50" for 3 years in a row. With customers throughout North America, including the United States, Canada, Mexico and the Caribbean, the company has continued to grow and despite difficult economic times, the company is close to attaining a 50% growth rate for 2010.

In addition to Janet's pursuit of excellence in the growth of Futura, she has found time to have the company certified as a Women's Business Enterprise, both nationally and in the state of Pennsylvania, which puts Futura in a unique position to leverage large corporate diversity procurement programs.

Janet's interests include her two adult children and being, along with her husband, Cos, previous owners of an Arena Football 2 team, The Pioneers of Wilkes Barre/Scranton as well as current co-owners of the Philadelphia Soul AFL team. For more information about Futura, Futura Health Care Technology or The Philadelphia Soul, please visit the following web-sites: www.futuraservices.net; www.futurahealthcaretechnology.com and www.Philadelphiasoul.com.