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DLD NEWS AND VIEWS
June/July 2010

HEALTH CARE REFORM ACT (HCRA)

As most, if not all, know, President Obama signed the HCRA on March 23, 2010. For both tax and health care, the provisions of the HCRA become effective gradually over the next four years. The Internal Revenue Service is beginning to issue guidelines and a lot of interpretation is coming out. It will be some time before the full impact of the law is understood and realized. The following is a short list of some of the changes going into effect in 2010.

- For certain plans, lifetime limits will be prohibited.
- Children through age 26 can not be denied coverage.
- Premiums paid for coverage of children is excluded from income if paid by the employer or deductible if paid by the employee.
- Pre-existing medical coverage will be available in some cases.
- Preventive medical care must be provided.
- Starting July 1, 2010, tanning salons must charge a 10% excise tax.
- A tax credit is available on a very limited basis to “small employers” who provide medical insurance for their employees. A small employer is one who has 25 or less full time equivalent employees with average wages of less than \$50,000 per year.

Recommend – keep alert for any information coming to your attention to measure the impact on you.

HIRE ACT

On March 18, 2010, President Obama signed into law the Hire Act. Employers who hire unemployed workers after February 3, 2010 and before January 1, 2011 will not have to pay the 6.2% Social Security Tax on the wages paid after March 18, 2010 through December 31, 2010, to employees they hire who have been unemployed for more than 60 continuous days. To obtain this benefit, the employee must sign and give the employer a Form W-11 attesting to the fact of their being unemployed. Additional information is available on the Internal Revenue Service website at www.irs.gov.

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BUSINESS AUTO EXPENSES

Businesses and employees can claim a deduction either for the auto expenses actually paid or by using the standard mileage rate (for 2010, the maximum allowed by Internal Revenue Service is .50¢ per mile). In either case contemporaneous records must be maintained for the business and non business miles. The Internal Revenue Service appears to be “cracking down” and taking their cause to the courts – and winning. The Internal Revenue Service does not mandate how you keep the “log” only that it must contain sufficient information to support your claimed business use.

MEDICAL EXPENSES

In a fact sensitive decision, the Tax Court allowed the cost of sex change operations as a medical expense. However, the cost for breast augmentation surgery was not allowed since it was considered “cosmetic surgery.” In allowing the expenses, the court focused on the taxpayer being diagnosed with a “gender identity disorder,” which met the definition of a “medical condition.”

CONTINUING EDUCATION EXPENSES

If you are required by your employer to take continuing education classes or you take classes to improve or maintain your skills in your current job, the expense is deductible as a miscellaneous itemized deduction on Schedule A of your Form 1040. If you are in business, the cost is deductible as a business expense. The Tax Court has allowed a nurse to deduct the cost of obtaining an MBA in health care management since the MBA improved her skills in her current job and was not acquired to qualify for a “new position.”

WEALTHY LEAVING NEW JERSEY

In a recent Star Ledger article it was reported that “more than \$70 billion in wealth left New Jersey between 2004 and 2008.....” as compared to a gain “of \$98 billion in the five years preceding 2004.” If you plan on “relocating” to a state with no or little income tax, it involves a lot of planning if you keep ties to New Jersey. In determining whether you are subject to New Jersey income tax, New Jersey utilizes the “domicile” rule. In other words, although you may look like a “non-resident” of New Jersey, New Jersey can hold that you have not changed your domicile and are therefore subject to New Jersey tax.

Think about it...

There is a “key” for every “security”.....

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