

PALIUS + O'KELLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

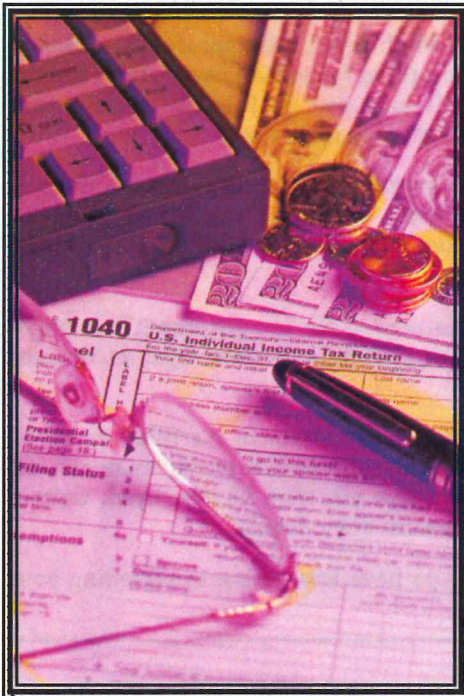
BUSINESS FITNESS NEWS



BUSINESS FITNESS TRAINING
EXCEPTIONAL SERVICE • VALUED WORK

We're gearing up to help you with your year –end tax planning and the 2009 tax year is already more than half-way over and some deadlines are approaching quickly. Palius + O'Kelley wants to ensure that you have time to take advantage of the new tax-saving opportunities that were created with the American Recovery and Reinvestment Act (ARRA). Please review the laws below and be sure to contact us if you have any questions. We have also included an article on Key Performance Indicator's (KPI's).

Kristy Dandridge - Editor



First-year 50% bonus depreciation. ARRA extends the 50% bonus first-year depreciation allowance that was available for 2008 acquisitions to acquisitions of qualifying property in 2009. The extension applies to qualifying property placed in service in 2009 (2010 for longer production period property and certain transportation property).

Increased Section 179 expensing. During 2009, small businesses can elect to expense up to \$250,000 of the cost of qualifying property under Code Sec. 179. Without the extension by ARRA, the limit would have dropped to \$133,000. (The existing \$25,000 expensing limit still applies to sports utility vehicles.)

Expanded net operating loss (NOL) carryback. Under a provision in ARRA, many small businesses that had expenses exceeding their income for 2008 can choose to carry the loss back for up to five years, instead of the usual two years. For small businesses that were profitable in the past but lost money in 2008, this could mean a special tax refund. The option is available for a small business that has no more than an average of \$15 million in gross receipts over a three-year period. This option is available only for a limited time. A corporation that operates on a calendar-year basis, for example, must file a claim by Sept. 15, 2009. For eligible individuals, the deadline is Oct. 15, 2009.

COBRA health Insurance continuation subsidy. Under a provision in ARRA, employees who were involuntarily terminated after Aug. 31, 2008 and before Jan. 1, 2010, and who elect COBRA health continuation coverage, are entitled to receive a 65% subsidy on their COBRA premiums. For periods of COBRA coverage beginning after Feb. 16, 2009, the involuntarily terminated employee must be treated as having paid the required COBRA premium if the individual pays 35% of the premium amount. The employer (or, in some cases, multiemployer health plan or insurer) may recover the other 65% by taking the subsidy amount as a credit on its quarterly employment tax return.

Other provisions. IRS's Fact Sheet also highlights a number of other ARRA changes for business, including:

- ... an acceleration of certain business credits;
- ... an exclusion of gain on the sale of certain small business stock;
- ... a modification of the estimated tax requirements;
- ... an increased exclusion amount for commuter transit benefits and transit passes;
- ... an extension of the renewable energy production tax credit;
- ... an election of investment credit in lieu of the production credit;
- ... the repeal of certain limits on the business credits for renewable energy property; and
- ... a temporary increase in the credit for alternative fuel vehicle refueling property.



Check and correct, check and correct...

Do you know what percentage of the time was the Apollo 11 on course to the moon in 1969?

Would you believe just 3%?

But they got there in the end.

How? Well, the flight crew weren't spending all their time just bobbing about weightless in space. They had to constantly monitor every aspect of their flight's progress. And whenever anything was amiss, they corrected it.

So the entire trip was a constant process of check and correct, check and correct,

to make sure they achieved their goal.

And so too through this constant process of checking and correcting, you can make sure that your business reaches the goals you've set.

What you can measure you can manage

the most common tools used to check a business's progress are Key Performance Indicators, or KPI's.

While you may well have a system of gauges and instruments similar to those in the Apollo 11,

The power of KPI's comes from a simple concept you may have heard us refer to before. That is, what you can measure you can manage.

KPIs mean you know where you stand at any given moment (CHECK) and can adapt your strategy to improve your results right there and then (CORRECT).

And you can use your KPI's as often as you need to, to make sure your business stays on track, and gets where you need it to be.

Please let us know if you are interested in developing KPI's to use in your business.

Retaining and storing your income tax records is an important final step of your tax filing responsibility. This article is a refresher on the rules for keeping your tax records, along with some information on storage options.

When determining how long to keep most of your income tax records, we look at the time frame over which the IRS can audit a return and assess a tax deficiency or you can file an amended return. For most taxpayers, this period is three years from the original due date of the return or the date the return is filed, if later. However, if a return includes a substantial understatement of income, which is defined as omitting income exceeding 25% of the gross amount reported on the return, the statute of limitations period is extended to six years.

A good rule of thumb for keeping tax records is to add a year to the IRS statute of limitations period. Using this approach, you should keep your income tax records for a minimum of four years, but it may be more prudent to retain them for seven years, which is what the IRS informally recommends. State tax rules must also be considered, but holding records long enough for IRS purposes will normally suffice for federal and state tax purposes, assuming the federal and state returns were filed at the same time.

Certain tax records, however, should be kept much longer than described above and some, indefinitely. Records substantiating the cost basis of property that could eventually be sold, such as investment property and business fixed assets, should be retained based on the record retention period for the year in which the property is sold. Tax returns, IRS and state audit reports, business ledgers, and financial statements are examples of the types of records you should normally retain indefinitely.

Keep in mind that there may be non-tax reasons to keep certain tax records beyond the time needed for tax purposes. This might include documents such as insurance policies, leases, real estate closing statements, employment records, and other legal documents. Your attorney can provide additional guidance.

It's also important to know that the IRS permits taxpayers to store certain tax documents electronically. Although the rules are aimed primarily at businesses and sole proprietors, they presumably apply to other individuals as well. The rules permit taxpayers to convert paper documents to electronic images and maintain only the electronic files. The paper documents can then be destroyed. Certain requirements must be met to take advantage of an electronic storage system. So, contact us if you want more details.

We hope this brief overview helps you understand the income tax record retention rules. If you have any questions regarding your specific situation or you would like to discuss these rules in more detail, please give me a call.

PALIUS + O'KELLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS
5290 OVERPASS ROAD, SUITE #220
SANTA BARBARA, CA 93111
805-683-7585

VISIT US ON THE WEB — WWW.POKCPA.COM

**Business Fitness News
inside!**



BUSINESS FITNESS TRAINING
EXCEPTIONAL SERVICE - VALUED WORK