Sobul Primes & Schenkel
Certified Public Accountants
A Professional Corporation

The Sobul, Primes & Schenkel experience...from local to global
No. 9

sps QUARTERLY

David M. Primes, CPA.CITP
Richard J. Schenkel, CPA
Christopher D. Morris, CPA
Steven H. Levitt, CPA
Jeffrey B. Cameron, CPA
Kyle C. Taylor, CPA
Stephen S. Sobul, Retired

Estate and gift tax updates substantial, yet temporary

Changes are now in effect throughout 2011 and 2012 for estate and gift tax as a result of the recent 2010 Tax Relief Act, which may have a significant impact on your estate planning. We want to share a few of the specific provisions with you. It is important to keep in mind that your unique situation will determine the best choices for you as far as navigating estate tax currently, and in the years to come.

Lower rate, higher exemption for 2011 and 2012
The 2010 Tax Relief Act reduces the top rate for estate tax to 35% and increases the exemption to $5 million for 2011. There will be a further exemption increase based on inflation for 2012. After 2012, the top rate will be 55% and the exemption will be $1 million.

A few more provisions of note

- For those dealing with the loss of a loved one in 2010, there is a choice between paying estate tax ($5 million exemption, 35% top rate and a step-up in basis) OR no estate tax (with a modified carryover basis and limited step-up in basis). We will be happy to assess these options with you.
- Gift tax and estate tax exemptions have been significantly different in recent years. For gifts made after December 31, 2010, the gift tax and estate tax exemptions are reunified with an overall exemption of $5 million.
- Generation Skipping Tax (GST), which is a tax on gifts and bequests to grandchildren or younger generations when their parents are still alive, is modified with an increase in exemption to $5 million and rate reduction to 35%.
- There is also a new portability feature that applies any unused estate tax exemption as of the death of a spouse to the surviving spouse.

Regardless of the immediate impact of the 2010 Tax Relief Act on your estate, we are always here to support your estate planning. Ultimately we want you to have a plan that is consistent with your goals in this area. Please contact us for more detail on any of these provisions and we also can assist you with a full review of your current estate plan.

Green offices can actually grow bigger

How we went paperless and found extra square footage

In a recent spsq we encouraged everyone to go paperless, or as paperless as is practical. We suggested scanning documents and storing them electronically with your new e-statements. Well, a funny thing happened along the way...our office space grew.

Think about it. You take rows of floor-to-ceiling file cabinets, bursting with overstuffed folders, digitize everything and end up with swathes of empty floor space. To our surprise, after years of digitizing, we were able to cut our file room down by 75% and create a wonderful new suite of offices for a group of staff members.

Imagine what a little digitizing could do for you. We'll be happy to show you around the new space next time you're in the office. Perhaps it will inspire you to go paperless and find a whole new world waiting to be repurposed and redecorated.

Keeping your home high and dry, year round

Important information from our insurance colleagues:

When is the last time you treated yourself to a tour of your own home? Here's an excuse for taking in the beauty, inside and out. You may end up knowing that you have reduced your risk of water damage, and perhaps a list of redecorating projects you'd like to tackle in 2011.

Water damage can turn a dream home into a nightmare. Repairing water damage can be extremely costly. Fortunately, there are some simple things you can do to significantly reduce your risks. Just take a stroll around your home, make notes, complete repairs as necessary, and sleep easier.

Outside

- Does your roof have any visible damage including missing, broken or worn tiles?
- Are all of your gutters and downspouts clear of debris?
- Are all storm and patio drains clear?
- Does the ground around your home slant away to avoid water pooling?
- Do all windows and doors have proper caulking and weather stripping?
- Is your exterior paint peeling or cracking?

Inside

- Do you know where your main water shutoff valve is in the event of a leak?
- Do your visible water supply and waste lines have signs of leaks or corrosion?
- Do the water lines and hoses servicing your appliances need to be replaced?
- The average water heater life expectancy is 7 -10 years and should be inspected annually.
- Look for water seepage through your foundation walls.
- If you leave your home for an extended period, turn off the water valve to your washing machine.
- Consider water leak detection devices that can also be wired into your alarm system.

If you need any additional insurance information or other professional guidance regarding potential water damage to your home, please call us. We have resources that can help.

New tax filing responsibilities for rental property owners

At press time, the House Ways and Means Committee has voted to send to the House floor a bill that would repeal both the 1099 requirements discussed below and the expanded 1099 reporting requirements enacted last year as part of the health care law. The later change is not effective until 2012. Stay tuned for further updates from us.

As of January 1st, 2011, any rental property landlord must obtain the name, Federal Tax Identification Number (or Social Security number), and address from all individuals and businesses (excluding corporations) that provide services to your property. Examples include gardeners, painters, property managers and maintenance people.

The Small Business Jobs Act of 2010 requires landlords to report payments to any service provider of $600 or more per year to the IRS on Form 1099-MISC. Actual reporting begins in 2012 related to 2011 transactions. Since you may not know the annual total you will pay a service provider, it's best to collect the information the first time you engage them, even if that amount is less than $600, since you may use them again later in the year. Also, make sure to collect the information before you pay them.

To gather the required information, use IRS Form W-9, which you can download at www.irs.gov. This form must be completed and signed by the service provider. Also, the "payor" section of the 1099-MISC requires either a tax ID number or your Social Security number. For privacy purposes, it may be wise to obtain a tax ID number if you don't currently have one so your social security number is not available to your service providers.

Please take this responsibility seriously as the IRS will impose a penalty for failure to file the 1099-MISC of the greater of $250 or 10% of the amount that was required to have been reported, for each service provider. The state of California can even disallow the deduction in its entirety if a required form 1099 is not filed.

We are here to address any of your questions or concerns regarding compliance with these new filing requirements. Please let us know if we can help.