

Tax rates for 2011 and going forward are still in flux and may effect planning.

At this time, Congress must decide whether to extend the Bush tax cuts for some or all taxpayers. They and other Bush-era tax rules expire at the end of this year. Without Congressional action, individuals will face higher tax rates on their income, including capital gains. Also, unless Congress changes the rules, the estate tax, which isn't in effect this year, will return next year with a 55% top rate.

Year End Tax Tips

2010 TAX TIPS

NOVEMBER 2010

For Individuals

Sullivan | Gannon

CERTIFIED PUBLIC ACCOUNTANTS

As 2010 comes to a close, have you considered the following:

Capital Gains:

Both long term and short term capital gains rates are expected to go up. Do you have gains in your portfolio that you should recognize for 2010?

Capture the losses in your mutual funds before year end, keep the same investments and avoid the wash sale rules.

IRA's:

If you have IRA's, have you considered rolling them into a Roth?

Can't contribute to a Roth: Have you considered making a non-deductible IRA that you can roll into a Roth next year?

IRA distributions: Are you over 70 1/2? You are required to take your minimum distributions from your IRA's.

Did you stop your distributions in 2009 with the change in the law? If you didn't restart it in 2010, you may have to make up the distribution requirement between now and year end.

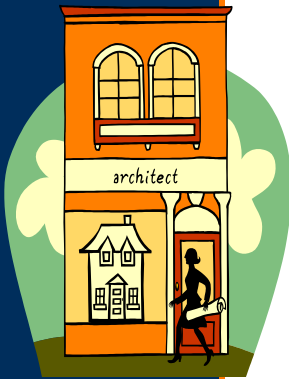
Health Care:

For 2010, health plans that begin enrollment after September 30, 2010 must offer coverage to dependents up to age 26.

Energy Efficient Improvements:

There are also federal tax credits for energy efficient improvements to your home (primary residence no vacation home or rentals) for the remainder of 2010. Credits of 30% (up to \$1,500) for energy efficient improvements (doors/windows/HVAC/insulation etc).

Unlimited tax credit of 30% of the purchase of high efficiency major improvements such as solar panels.



Anyone who stops learning is old, whether this happens at twenty or eighty. Anyone who keeps on learning not only remains young, but becomes constantly more valuable regardless of physical capacity.
- Harvey Ullman

For Businesses

Health Care:

For 2010 only, health care is deductible for self employed individuals before calculating SE tax. It may be beneficial to prepay!

Effective for September 30, 2010, health plans must offer coverage to dependents up to age 26.

Effective January 1, 2010, small businesses that provide health care for their employees may be able to take a tax credit, up to 35%. (If the employer has less than 25 employees, average annual wages are less than \$50K and contribute at least 50% of the total premium.)

Retirement funding:

Funding retirement plans at the maximum will help lower the tax bill.

New equipment and machinery:

The depreciation "section 179" (100% write off) and bonus method (50% write off) in the year of acquisition was reinstated for 2010. Therefore equipment or machinery bought prior to 12/31/2010 may have an accelerated write off for tax purposes.

In addition, the maximum allowance of "section 179" is doubled to \$500K and up to \$250K can include to include qualified leasehold improvements, retail improvements and restaurant improvements.

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For Rentals

Effective January 1, 2011, all taxpayers with rental income will have additional reporting requirements.

Landlord's will have to provide 1099's at the end of the year to

any service provider to whom they paid \$600 or more.

Sullivan and Gannon recommends getting a W-9 from all service providers to meet these requirements as of January 1st, 2011.



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We are growing!
Please consider referring us
to your friends, family and-
colleagues.

Check out our new website!
www.sullivangannoncpas.com

Audit Tip

IRS agents are now being trained and encouraged to request the QuickBooks
(or other bookkeeping) files when performing an audit.

Cleaning Up at Year End

Attached you will find our recommended record retention policy.



IRS CIRCULAR 230 NOTICE: In compliance with U.S. Treasury Circular 230 Regulations and any applicable state laws, we hereby notify you that any tax advice contained in the body of this document, or attachments thereto, was not intended or written to be used, and cannot be used, by the recipient or any other party for the purpose of (1) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or (2) promoting, marketing or recommending to another party any transaction or matter addressed herein.

BUSINESS

Accounting Records	Retention Period
Accounts payable.....	7 years
Accounts receivable.....	7 years
Audit reports.....	Permanent
Chart of accounts.....	Permanent
Depreciation schedules.....	Permanent
Expense records.....	7 years
Financial statements (annual).....	Permanent
Fixed asset purchases.....	Permanent
General ledger.....	Permanent
Inventory records.....	7 years ¹
Loan payment schedules.....	7 years
Purchase orders (1 copy).....	7 years
Sales records.....	7 years
Tax returns.....	Permanent

Bank Records	Retention Period
Bank reconciliations.....	2 years
Bank statements.....	7 years
Cancelled checks.....	7 years ²
Electronic payment records.....	7 years

Corporate Records	Retention Period
Board minutes.....	Permanent
Bylaws.....	Permanent
Business licenses.....	Permanent
Contracts—major.....	Permanent
Contracts—minor.....	Life + 4 years
Insurance policies.....	Life + 3 years ³
Leases/mortgages.....	Permanent
Patents/trademarks.....	Permanent
Shareholder records.....	Permanent
Stock registers.....	Permanent
Stock transactions.....	Permanent

Employee Records	Retention Period
Benefit plans.....	Permanent
Employee files (ex-employees).....	7 years ⁴
Employment applications.....	3 years
Employment taxes.....	7 years
Payroll records.....	7 years
Pension/profit sharing plans.....	Permanent

Real Property Records	Retention Period
Construction records.....	Permanent
Leasehold improvements.....	Permanent
Lease payment records.....	Life + 4 years
Real estate purchases.....	Permanent

¹Permanent for LIFO system.

²Permanent for real estate purchases.

³Check with your agent. Liability for prior years can vary.

⁴Or statute of limitations for employee lawsuits.

Tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects underreported income. It is wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records.

Generally, follow these recommended periods for various documents:

Individual Records	Retention Period
Tax returns (uncomplicated).....	7 years
Tax returns (all others).....	Permanent
W-2s.....	7 years
1099s.....	7 years
Cancelled checks supporting tax deductions.....	7 years
Bank deposit slips.....	7 years
Bank statements.....	7 years
Charitable contribution documentation.....	7 years
Credit card statements.....	7 years
Receipts, diaries, logs pertaining to tax return.....	7 years
Investment purchase and sales slip.....	Ownership period + 7 years
Dividend reinvestment Records.....	Ownership period + 7 years
Year-end brokerage statements.....	Ownership period + 7 years
Mutual fund annual statements.....	Ownership period + 7 years
Investment property purchase documents.....	Ownership period + 7 years
Home purchase documents.....	Ownership period + 7 years
Home improvement receipts and cancelled checks.....	Ownership period + 7 years
Home repair receipts and cancelled checks.....	Warranty period for item
Retirement plan annual reports.....	Permanent
IRA annual reports.....	Permanent
IRA nondeductible contributions Form 8606.....	Permanent
Insurance policies.....	Life of policy + 3 years ¹
Divorce documents.....	Permanent
Loans.....	Term of loan + 7 years
Estate planning documents.....	Permanent

¹ Check with your agent. Liability for prior years can vary.