

Christianson & Associates, PLLP

Tax Update



C&A Launches Tax Updates

November 2010

Christianson & Associates, PLLP is dedicated to helping our clients ensure that they have the knowledge that they need to operate a successful business. As always we are available for questions, and would appreciate an opportunity to discuss how your business may be affected by these tax changes and how you can best take advantage of these opportunities.

On 9-27-10 President Obama signed into law the 2010 Small Business Jobs Act. In this act there are a variety of tax breaks for small businesses, paid for by various revenue raisers.

C&A Announces Financial Advisor Services

Christianson & Associates, is pleased to announce the addition of Matt Lilleberg, financial advisor, as part of the new affiliate C&A Financial Advisors, LLC. Matt, brings a wealth of knowledge and experience in assisting clients plan for their retirement, life's unexpected events, and family growth and transitions. Matt will be working with clients to ensure that their financial needs are being met, through insurance, financial planning, estate planning and investments.

Contact Matt at 320-441-5619 or visit him at the C&A office in Willmar.

Securities and investment advisory services are offered through Brookstone Securities Inc. a registered broker/dealer member FINRA/SIPC. C&A Financial Advisors LLC and Christianson & Associates, PLLP are affiliated companies. Brookstone Securities Inc. is not affiliated with C&A Financial Advisors LLC and Christianson & Associates, PLLP.



C&A Expands into Litchfield, Minnesota

The Partners are happy to announce the merger effective January 1, 2011, with Mark C Nicholson, P.A. of Litchfield. Mark has over 30 years of experience as a CPA serving the public through his practice. We are excited to welcome Mark and his team, Kathy, Doris and Bev to the C&A family. Mark will continue to serve as the Partner - in - Charge of the Litchfield office and will maintain the same client service responsibilities that his clients have come to know and trust. As with all important business decisions, we will work closely with our clients and employees to ensure that the transition is as smooth as possible while keeping customer service our #1 priority. We are excited to enter into the Litchfield area and are looking forward to becoming part of the community. This is a wonderful opportunity for C&A to expand our service area.

Inside this issue:

Enhanced Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital outlays, small business taxpayers can elect to write off the cost of these expenditures in the year of acquisition in lieu of recovering these costs over time through depreciation. Under pre-2010 Small Business Jobs Act law, taxpayers could expense up to \$250,000 of qualifying property generally,

machinery, equipment and certain software. This annual expensing limit was reduced (but not below zero) by the amount by which the cost of qualifying property placed in service exceeded \$800,000 (the investment ceiling). Under the new law, for tax years beginning in 2010 and 2011, the \$250,000 limit is increased to \$500,000 and the investment ceiling to \$2,000,000. The act makes certain real property eligible

for expensing. Certain types of property, such as that used for lodging would not be eligible. No amount attributable to qualified real property can be carried over to a tax year beginning after 2011, but to the extent that any amount cannot be carried over to a tax year beginning after 2011, the Code will be applied as if no Code Sec 179 expensing election had been made for that amount.

Extension of Bonus

AMT

Health Insurance Deductibility

Boosted Deductions

Rental Property Requirements

Extension of 50% Bonus

Businesses are allowed to deduct the cost of capital expenditures over time according to depreciation schedules. In previous legislation, Congress allowed businesses to more rapidly deduct capital expenditures of most

tangible personal property, and certain other new property, placed in service in 2008 or 2009 (2010 for certain property), by permitting the first - year write off of 50% of the cost.

The new law extends the first year 50% write off to apply to qualifying property placed in service in 2010 (2011 for certain property).

Deductibility of Health Insurance

Deductibility of health insurance for the purpose of calculating self - employment tax.

The new law allows business owners to deduct the cost of health insurance incurred in 2010 for

themselves and their family members in calculating their 2010 self - employment tax.

AMT

Under AMT, taxpayers can generally only claim allowable general business credits against their regular tax liability, and only to the extent that their regular tax liability exceeds their AMT liability.

A few credits, such as the credit for small business employee health insurance expenses can be used to offset AMT liability. The new law allows eligible small businesses, consisting of sole proprietorships, partnerships and non publicly traded

corporations with \$50 million or less in average annual gross receipts for the prior three years, to use all types of general business credits to offset their AMT in tax years beginning in 2010.

Special Rule for Long-term Contract Accounting

The new law provides that in determining the percentage of completion under the percentage of

completion method of accounting, bonus depreciation is not taken into account as a cost. This prevents the

bonus depreciation from having an effect of accelerating income.

Boosted Deduction for Start - up Expenditures

The new law allows tax payers to deduct up to \$10,000 in trade or business start-up expenditures for 2010.

The amount that a business can deduct is reduced by the amount by which startup expenditures exceed

\$60,000. Previously, the limit of these deductions was capped at \$5,000, subject to a \$50,000 phase out threshold.

Reporting Required for Rental Property Payments

Information reporting required for rental property expense payments. For payments made after 12-31-10, the new law requires persons receiving rental income from real property to file information returns

and service providers reporting payments of \$600 or more during the tax year for rental property expenses. Exceptions are provided for individuals renting their principal residences on a temporary basis

(including active members of military), taxpayers whose rental income doesn't exceed IRS determined minimal amount, and those for whom reporting requirements would create a hardship under IRS regs.