



CALCULATING ACCOUNTS

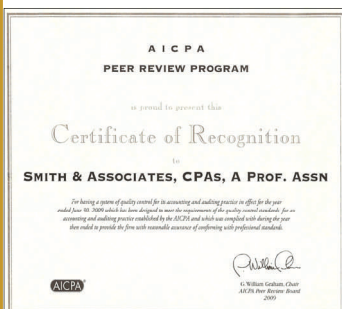
SMITH & ASSOCIATES, CPAs

2010 Newsletter

SMALL BUSINESS TAX BILL

Following the Senate's passage of the Small Business Jobs Act of 2010 (H.R. 5297) by a 61-38 vote, the House approved the Act and sent it to President Obama for his signature on September 27, 2010. In part, the Act: (1) doubles the Section 179 expensing limit (to \$500,000, phasing out at \$2 million) for tax years beginning in 2010 and 2011, and allows the expensing (up to \$250,000) of leasehold, retail, and restaurant improvements; (2) reinstates 50% bonus depreciation for qualifying property acquired and placed in service in 2010, and authorizes an increased first-year depreciation limit (by \$8,000) for passenger autos that are "qualified property;" (3) doubles the allowable tax deduction for start-up expenditures to \$10,000; (4) removes cell phones from the definition of *listed property*; (5) allows self-employed individuals to deduct health insurance costs in paying their 2010 self-employment tax; (6) allows small businesses to carry back general business tax credits to offset their taxes from the previous five years, and count those credits against their Alternative Minimum Tax (AMT) liability; and (7) requires information reporting for rental property expense payments.

PASSING GRADE



Recently, Tierney, Harding and Bahr, a Certified Public Accounting firm located in New Hampshire, performed a quality review of our firm in accordance with the standards established by the American Institute of Certified Public Accountants (AICPA). The quality control review included detailed reviews of governmental, commercial and non-profit engagements. After a thorough study of our procedures and work practices, our firm was awarded a rating of pass with no deficiencies.

We have received the highest possible ranking for our sixth consecutive quality review spanning a period of eighteen years and received a Certificate of Recognition from the AICPA.

FILING AN EXTENSION

Extra Time to File: An extension will give you extra time to get your paperwork to the IRS, but it does not extend the time you have to pay any tax due. You will owe interest on any amount not paid by the April 15th deadline, plus a late payment penalty if you have not paid at least 90 percent of your total tax by that date. **File On Time Even If You Can't Pay:** If your return is completed, but you are unable to pay the full amount of tax due, do not request an extension. File your return on time and pay as much as you can. The IRS will send you a bill or notice for the balance due. To apply online for a payment agreement, go to IRS.gov and click "Online Payment Agreement Application" at the left side of the home page under Online Services. If you are unable to make payments, call the IRS at 800-829-1040 to discuss your options. We would be pleased to assist you, if you desire.

HOME ENERGY TAX CREDIT

Consumers who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes can receive a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009, through December 31, 2010. Visit www.energystar.gov for more information. Look for the Energy Star! label and you can be sure the product you are buying is eligible for the tax credit.



CONVERSION TO ROTH

Starting in 2010, taxpayers with modified adjusted gross income of more than \$100,000 will be allowed to convert a traditional IRA to a Roth IRA. This change applies to all years beyond 2010 - and the income taxes due on the 2010 conversion can be spread over two years. So the 2010 conversion amount may be included as taxable income in 2011 and 2012 - helping to spread out the tax bite. Conversions in subsequent years are included in income during the tax year in which the conversion is completed.

client-TELL

FOR SAIL!

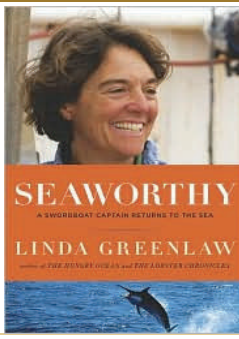


Since 1999 Sea Bags has been making custom tote bags out of recycled sails thanks to co-owners Beth Shissler and Hannah Kubiak. Their customer base continues to grow worldwide, with exposure in more than 40 print ads, including Vogue, Oprah and Better Homes & Gardens. In 2009 they opened their second store in Freeport, Maine. Walking towards the store you get the feel of a quaint cottage overlooking the ocean, and once you step in, you are in a world filled with charming, whimsical and stylish totes of all sizes, wine bags, wallets, throw pillows just to name a few. All stylish, with various nautical designs. You can also bring in any old sails you have laying around the house and trade them in for bags! So come sail away with Sea Bags...you won't regret the trip! www.seabags.com ~ 207-780-0744



READWORTHY...

Linda Greenlaw, America's only female swordfishing captain, is author of three *New York Times* bestselling books...her latest is **Seaworthy**... check it out! Linda is also featured in the hit Discovery Channel series **Swords: Life on the Line**. The second season of *Swords* will premiere in August 2010. Linda first came to the public's attention in Sebastian Junger's "The Perfect Storm", where Junger called her "one of the best captains...on the entire East Coast".



INVESTING...

ANANIA & Associates Investment Company LLC (AAI), reports that during 2009 its investment fund appreciated 51.96% in value versus year end 2008. The *AAI Fund* is approved by the Finance Authority of Maine as a Maine Seed Capital Tax Credit investment fund. This means Maine income tax payers who invest in our qualified Fund can receive between 40% to 60% of their investment as a tax credit against their Maine income tax over a four year period, subject to program rules and limitations. We are now actively meeting one-on-one with both private and institutional investors to raise capital for our newest acquisition, a medical device manufacturer, Lighthouse Imaging Corp, LLC (www.lighthouseoptics.com). Currently, AAI owns six Maine-based manufacturing companies, which can be viewed at www.anania.biz. "We are very proud of each of our management teams and portfolio companies' performance during a tumultuous 2009. This positive news and the Maine Seed Capital Tax Credits opened the door for additional investments in strong, growth oriented companies, providing good paying jobs in each of their communities", commented Peter V. Anania, Chairman of AAI. For more information contact: Jeffrey G. Tounge, AAI Director of Business Development 1-207-712-1452

WHOOPIE!!!

At the second annual Whoopie Pie Festival in Dover-Foxcroft, Anania's Inc. won for "Maine's Best Traditional Whoopie Pie"! Congratulations to Ed Anania and his family!



Left to Right: Maria Anania, currently attending West Point, Sweetie Pie and Beth Anania, attending Assumption College.

TREAT YOURSELF



Amore Styles is proud to announce its new sister company, Amore Skin Center. Located at 1 and 3 Gold Street, in Portland's Old Port, Amore Skin Center is the perfect compliment to Amore Styles for your beauty solutions. Established in 1990, Amore Styles has been repeatedly recognized for providing quality service to the customer and the community as a whole. Owner Brenda Broder and her highly trained staff are committed to meeting your beauty needs. Amore Skin Center provides Botox, Juvierm, IPL services including permanent hair reduction, photofinish facials along with oncology aesthetics, permanent cosmetics, waxing and traditional services. Consultations are complimentary. Call Amore 774-1774.



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SMALL BUSINESS HEALTHCARE TAX

This new credit helps small businesses and small tax-exempt organizations afford the cost of covering their employees and is specifically targeted for those with low and moderate-income workers. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees.

Eligibility:

- **Providing health care coverage.** A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.
- **Firm size.** A qualifying employer must have less than the equivalent of 25 full-time workers.
- **Average annual wage.** A qualifying employer must pay average annual wages below \$50,000.
- **Certain taxable (for profit) and tax-exempt firms qualify.**

Amount of Credit:

- **Maximum Amount.** The credit is worth up to 35 percent of a small business' premium costs in 2010. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).
- **Phase-out.** The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

Qualifying in 3 Simple Steps:

1. Determine the total number of your employees (not counting owners or family members), if the total number of employees is fewer than 25, **GO TO STEP 2.**
2. Calculate the average annual wages of employees (not counting owners or family members), if the result is less than \$50,000 and...
3. You pay at least half of the insurance premiums for your EE's at the "employee-only" coverage rate, then

You may be able to claim the Small Business Health Care Tax Credit.

Back-to-Bi

Back-to-Bi