

# Tzinberg & Dowdy, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

*An Asset, Not an Expense!*

Our newsletter is now MONTHLY!



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## Enjoy Dinner on Us!

The first 10 emails or calls we receive referring a small business to us for accounting, tax, and consulting services will be entered in a drawing for a \$50 gift certificate. The winner will be drawn on December 18th.

That's it, no strings attached!  
Just email [contest@tzinberg.com](mailto:contest@tzinberg.com),  
or call (618) 288-8989 or (314) 880-0189.

**GOOD LUCK!**



## LAST MONTH'S WINNER

Mark Giraffa, the President of Craig Heating & Cooling LLC in Kirkwood, was the WINNER of last month's contest last month! Craig can be reached at [markgiraffa@gmail.com](mailto:markgiraffa@gmail.com).

One of our marketing coordinators, Tracy Lambert, at a recent Chamber event as an IRS agent.

*We are accepting new clients, and appreciate your referrals! Please call Alex Tzinberg, our Vice-President of Business Development, at (314) 277-0711 or (618) 205-4026, or email him at [alex@tzinberg.com](mailto:alex@tzinberg.com).*

The information in this newsletter is of a general nature, omits many details and special rules, is current only as of its published date, and accordingly cannot be regarded as tax advice. Please contact our office for more information regarding your specific situation.

## Prepare for the Tax Year End - Create More Deductions

The end of the tax year is a few short weeks away, but you still have time to increase your deductions and reduce your income tax. Donate to charities before the end of the year. Many of us intend to do this, but the year slips away. Go through your house and gather clothes, unwanted toys and household items. Box them up and call a local charity for a pickup, or drop them at a donation center. Be sure to get a donation receipt for your taxes. Visit [www.salvationarmysouth.org/valueguide.htm](http://www.salvationarmysouth.org/valueguide.htm) to determine the value of donations. Don't forget to get receipts when you donate money to seasonal charities, as without a receipt no deduction is allowed.

## Considering converting to a woman owned business?

Male business clients sometimes ask us how to change ownership to their wife to obtain new contracts. Generally the wife would be a 'puppet' - not really active in the business. As Karen Klein indicates in an article in *Business Week*, certification can help get supplier contracts with big companies or government agencies. However, a significant amount of time is required to both apply and maintain minority status. Larger companies have targets for what percent of their outsourced work goes to women- and minority-owned vendors, but they count only officially certified vendors toward meeting those goals.

We generally do not recommend a small business owner go through this process unless they have specific government programs in mind. At the Federal level, there is a process for 'self-certification', but many private companies rely on certification from companies that charge a fee and perform stringent tests to validate that the business is truly being run by a woman. We have rarely seen a client achieve success from this, and recommend you be wary before heading into this minefield.



"We'd like to promote the concept of a nontraditional Thanksgiving."

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## Worker, Homeownership, and Business Assistance Act of 2009

On November 6, 2009, HR 3548 became law. Among other things, the new law gives a new lease on life to the first-time homebuyer tax credit and makes many modifications to the credit, including a change allowing the credit to be claimed by existing homeowners who are "long time residents."

The Act extends the First-Time Home Buyer Tax Credit (FTHTC) and liberalizes it by making it available to (1) higher income taxpayers and (2) to existing homeowners who are qualifying "long-time residents" and who buy another principal residence. However, for the first time there will be a dollar cap on residences qualifying for the FTHTC.

**FTHTC extended.** The FTHTC is extended to apply to a principal residence purchased by the taxpayer before May 1, 2010. The FTHTC also applies to the purchase of a principal residence before July 1, 2010 by any taxpayer who enters into a written binding contract before May 1, 2010, to close on the purchase of a principal residence before July 1, 2010.

**FTHTC available to higher income taxpayers.** For purchases after the enactment date, the FTHTC phases out for individual taxpayers with modified adjusted gross income (AGI) between \$125,000 and \$145,000 (\$225,000 and \$245,000 for joint filers) for the year of purchase.

**FTHTC available for existing homebuyers who are "long-time residents."** For purchases after the enactment date, any individual (and, if married, the individual's spouse) who has maintained the same principal residence for any 5-consecutive year period during the 8-year period ending on the date of the purchase of a subsequent principal residence is treated for FTHTC purposes as a first-time homebuyer of that subsequent principal residence. The maximum allowable credit for such taxpayers is \$6,500 (\$3,250 for a married individual filing separately).

**New limitation on home price for FTHTC.** For purchases after the enactment date, the FTHTC cannot be claimed for buying a residence if its purchase price exceeds \$800,000.

**FUTA Surtax Extended.** The temporary surtax of 0.20 percent on the federal unemployment tax has been extended through June 2011. The FUTA rate continues to be 6.2 percent. (This surtax was scheduled to expire at the end of 2009.)

**Business Net Operating Losses Carryback.** Businesses of all sizes can now carry back operating losses for up to five years. Previously this 5-year carryback was limited to small businesses with revenues of \$15 million or less.

**Mandatory electronic filing.** For many years, I presented a workshop on electronic filing for CPAs attending the Creative Solutions Annual User Conference. I always told attendees that eventually it would be mandatory. HR 3548 mandates electronic filing for anyone preparing more than ten 2010 returns.

**The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty. - Winston Churchill**

### **Do we need a doggy tax break?**

Animal care can be outrageously expensive. Should the government be helping out? One Republican congressman thinks so, and has introduced a bill that allows pet owners to deduct the cost of animal care from their taxes. The bill would allow deductions of as much as \$3,500 a year, according to NPR.

Representative Thaddeus McCotter of Michigan said he's heard that economic hard times are causing some people to give up their pets. "When you think about the relationship between people and pets and the humane way that it helps people think, it seemed to me to be a good idea," McCotter said in a video about the bill, according to NPR.

Some pet owners are thrilled at the idea. But it seems to me that if you choose to have a pet, you should be able to pay for it.

Julie DelCour, a columnist at Tulsa World, summed up the issue nicely: "We have a \$11 trillion national debt; and 46 million people without health insurance," she writes. "With those realities, Congress can ill afford to pass out tax deductions like Milk Bones. This novelty bill will die in committee and McCotter's 15 minutes of pandering to us animal owners will end."

<http://blogs.moneycentral.msn.com/topstocks/archive/2009/10/19/do-we-need-a-doggy-tax-break.aspx>

### **Taxes & Worker Status: Employee vs. Independent Contractor?**

The IRS is extending their National Research Program (NRP) to payrolls starting in February, 2010. NPR audits are the absolute worst kind of audit, as the IRS Agent is required to audit every line on the tax return. The IRS will be looking at employee classification (employee vs. subcontractor), fringe benefits, and expense reimbursements.

If you are a small business owner, whether you hire people as independent contractors or as employees will impact the amount of taxes you withhold from their paychecks, as well as the amount and types of taxes you pay. Furthermore, it will affect how much additional cost your business must bear, what documents and information must be provided to you, and what tax documents must be given to the individuals you are hiring.

The obvious advantage to treating an individual as an independent contractor is avoiding the added expense of payroll taxes and employee benefits. Unfortunately, the decision is not an optional one, and employers must be careful when making the decision, lest they set themselves up for a payroll audit and back taxes, penalties and interest.

Some sources say the IRS is increasing their focus on these issues in early 2010, focusing their efforts on businesses failing to pay taxes on fringe benefits and misclassifying workers as independent contractors instead of W-2 employees.

Here are some things every business owner should know about hiring people as independent contractors versus hiring them as employees:

Three characteristics are used by the IRS to determine the relationship between businesses and workers: Behavioral Control, Financial Control, and the Type of Relationship.

- Behavioral Control covers facts that show whether the business has a right to direct or control how the work is done through instructions, training or other means.
- Financial Control covers facts that show whether the business has a right to direct or control the financial and business aspects of the worker's job.
- The Type of Relationship factor relates to how the workers and the business owner perceive their relationship.

If you have the right to control or direct not only what is to be done, but also how it is to be done, then your workers are most likely employees.

If you can direct or control only the result of the work done, and not the means and methods of accomplishing the result, then your workers are probably independent contractors.

Employers who misclassify workers as independent contractors can end up with substantial tax bills. Additionally, they can face penalties for failing to pay employment taxes and not filing required tax forms.

Workers can avoid higher tax bills and lost benefits if they know their proper status.

Employers can request the IRS to make a determination on whether a specific individual is an independent contractor or an employee by filing a Form SS-8 (Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding) with the IRS. A worker may also file Form SS-8, requesting an IRS determination. The IRS does not issue determinations for proposed or hypothetical situations.

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ADDRESS SERVICE REQUESTED



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Our newsletters are part of our commitment to provide our clients the best possible communication and service. Our goal is to be aware of, and to communicate, ways for our clients to minimize their taxes and keep more of what they make!

**We need your email address!**  
Please send an email to [info@tzinberg.com](mailto:info@tzinberg.com).

**THANK YOU!**