

AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

FINANCIAL & BUSINESS INFORMATION

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Tax Legislation: What You Need to Know NOW!

Recent tax legislation is overwhelming! Many of these changes are still pending or not yet effective, but others have an impact *now*. For 2010, be aware of the following:

INDIVIDUALS

- Estate Tax – The exclusion is repealed for 2010 but returns with a \$1 million limit in 2011. Given the potential for significant estate tax legislation, a review of your will and estate plan with a professional may be in order.
- Extended Health Insurance Coverage – Insurers providing group health coverage for dependent children must continue to make coverage available to adult children up to age 26. The child does not have to live with the parents, attend college or be a “dependent” on the employee’s tax return. Check with your insurer regarding your plan’s specifics on extended dependent coverage.

BUSINESSES

Small Business Health Insurance Tax Credit

- For 2010-2013, the maximum credit is 35% of premiums paid by the employer (25% for tax-exempts); after 2013, rates increase to 50% (35% for tax-exempts)
- Targets qualifying employers with under 25 *full-time equivalent* employees paying wages averaging under \$50,000 per employee annually (phase-out limits apply)
- “Employees” excludes certain owners/employees (such as more-than-2% S corporation shareholders and more-than-5% owners of small businesses)
- Claimed as a credit starting with the 2010 income tax return

2010 HIRE Act (includes 2 new tax benefits for qualified employers)

- Employer Payroll Tax Exemption
 - Exempt from their 6.2% share of social security tax on qualifying wages paid
 - Effective for wages paid 3/19/10 – 12/31/10 to certain previously unemployed workers hired after 2/3/10; qualified employees must not have worked more than a total of 40 hours during the previous 60 days
 - Claimed on the revised Form 941 beginning with the second quarter of 2010
- Business Credit for Retained Workers
 - For retaining “qualified employees” for 52 consecutive weeks
 - Credit is the *smaller* of \$1,000 or 6.2% of wages paid
 - Claimed on the employer’s 2011 income tax return

Employers are *required* to retain a Form W-11 for each qualifying employee to claim these incentives. Also, family members and other relatives *do not qualify*.

Illinois Small Business Job Creation Tax Credit: Qualifying employers may be eligible for a \$2,500 withholding tax credit for each new Illinois full-time job created during the period 7/1/10-6/30/11 and sustained for one year. Restrictions apply and timely application is important. See <http://www.commerce.state.il.us/dceo/> for details.

Note: If you make estimated tax payments, the second 2010 estimate is due June 15!

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