

March 2010 TravelTax News

Tax filing season is half way done and the snow is beginning to melt!

Federal Taxes

1) Later filings this year

Banks have been given extra time to send interest, dividend and investment account statements this year. Many taxpayers will be filing later than normal. If this is your situation, call us about filing an extension so you do not find yourself trapped by a deadline that is extendable. Extensions do not increase the chance of an audit.

2) Good reasons for filing extensions!

ROTH Conversions

An extension allows you more time to convert taxable Individual Retirement Accounts to tax-free Roth IRAs

The Home Buyers Credit

It takes longer to receive your refund through an amendment than it does an original return. If you are purchasing a home soon before the deadline, file an extension so you can receive the refund earlier.

Self Employed with Retirement Accounts

Filing an extension gives you till Oct 15 to contribute to your SEP or similar retirement arrangement

Note: Filing an extension gives you till October 15 to file BUT does not extend the time to pay any tax due. If you have anticipate a balance due, make an payment with the extension

3) Congress mulls extending popular tax breaks

Still in limbo are deductions for state property taxes for non – itemizers and other popular tax breaks that expired on December 31 of 2009. Along with this dilemma are more flat tax proposals.

4) FICA and Medicare for Medical Residents

The IRS has made an administrative determination to accept the position that medical residents are excepted from FICA taxes based on the student exception for tax periods ending before April 1, 2005, when new IRS regulations went into effect. The student exception means that FICA (social security and Medicare) taxes do not apply to service performed by students employed by a school, college, or university where the student is pursuing a course of study. Whether the organization is a school, college, or university depends on the organization's primary function. In addition, whether employees are students for this purpose requires examining the individual's employment relationship with the employer to determine if employment or education is predominant in the relationship. Within 90 days, the IRS will begin contacting hospitals, universities, and medical residents who filed FICA refund claims for these periods with more information and procedures. Employers and individuals with pending claims do not need to take any action at this time

State Taxes

1) New York Governor wants to hold state tax refunds

Under the Governor's plan, the state's current cap on income-tax refunds paid out before March 31st would be lowered from \$1.75 billion to just \$1.25 billion, resulting in a nearly two-month delay for thousands of taxpayers awaiting lawful refunds. Additionally, taxpayers will not be paid interest on their funds until June 1 while businesses would be denied any interest until the second half of March. Fortunately, the New York Senate is formally opposed to the proposal

Audit Watch

As we mentioned before, many state revenue agencies are doing their own audits of employee business expenses focusing on traveling professionals. Among the most active states are:

Georgia

Virginia

Missouri

Pennsylvania

Additionally, more states are challenging residency claims attempting to put their tax net over all the taxpayers' income.

Amnesty Programs

1) Philadelphia City

Philadelphia Mayor Michael Decker has signed an ordinance that was passed by the city council in December 2009 providing a tax amnesty period that will occur over 45 days in May and June 2010 and overlap with the state amnesty program. The amnesty measure applies to 17 different taxes administered by the city and applies to debts originally due and payable from February 1986 through June 2009. Taxpayers that are either under criminal investigation or have been named in a criminal complaint related to the delinquency or who have participated in any prior tax amnesty program are ineligible to participate in the program. Under the terms of the amnesty bill, 100% of accrued penalties and 50% of accrued interest due on delinquencies are waived after the taxpayer makes all required payments.

2) New Mexico

A bill making its way through the New Mexico Legislature would authorize the Tax and Revenue Department to conduct a 90-day tax amnesty program in fiscal year 2011. The department would be able to waive interest and penalties for taxes owed prior to the tax amnesty period. The proposed amnesty program provisions would be repealed effective July 1, 2011. The bill passed the Senate last week and is currently being considered by the House Revenue and Tax Committee.

Office and Firm News

We are restructuring our operations to separate our tax preparation division from our consulting, representation and pre litigation services. We have formed a new parent company, Cullen & Adele LLC that will own TravelTax LLC, Joseph C Smith Tax Consultants LLC and a soon to be named Canadian operation as wholly owned subsidiaries. Nothing has changed, the staff is the same and we

will continue the same personalized services that we always have. The restructuring allows us to expand in other areas locally and nationally. After the tax season is over, you will see a more streamlined website which Daina (the wife) will be working on.

Daina (my wife) underwent an emergency open Cholecystectomy the first of February. We are thankful that her condition was addressed in a timely fashion as she was in the first stages of jaundice and the Lord has blessed with a good recovery period so far. We thank each of you for your patience during this time and are also thankful for the many expressions of concern and prayers we have received.

Traveler News

We will soon announce the details of the September 27-28 Travelers Convention that will be held in Las Vegas. Look for a special newsletter release!

Looking forward to a great spring!