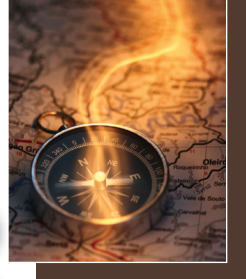


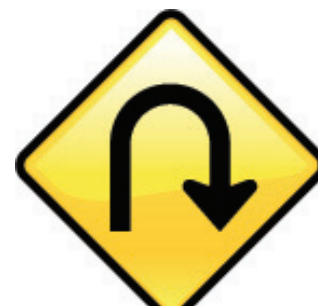
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# Year-End Focus: Taxes

## Saving You Money *And* Making Your Life Less Taxing

### Down with



### Taxes!

a bigger challenge this year than in past years.

We have highlighted below some strategies that may help you save tax dollars if you act before year-end. Not all will apply in your particular situation, but you will likely benefit from some of them.

#### Year-End Moves for Individuals

- Increase the amount you set aside for next year in your employer's health flexible spending account (FSA)

if you set aside too little for this year. Don't forget that you cannot set aside amounts to get tax-free reimbursements for over-the-counter drugs, such as aspirin and antacids (2010 is the last year that FSAs can be used for nonprescription drugs).

- Increase your withholding if you are facing a penalty for underpayment of federal estimated tax. Doing so may reduce or eliminate the penalty.
- Make energy saving improvements to your main home, such as putting in

 *continued inside*

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#### Employee Spotlight

### Kathy Dryman

### Having fun at work and play



Kathy Dryman

Certified Payroll Clerk.

While she does quite a bit more than payroll, she enjoys her work immensely. "I get to do a little of everything," she explained. "It's something different every day, and I enjoy helping our clients," she said.

Kathy Dryman is an Accounting Technician at Daniels, Uselton & Clay, P.C. (DU&C, P.C.), where she has worked for nine years. She started at the firm as an Administrative Assistant and had some office and accounting experience from her previous job. As she grew in her work and responsibilities, she decided to go back to school and Roane State Community College and is now a

Kathy does monthly accounting for clients, and that often includes payroll. She also trains clients on how to use QuickBooks, and she does billing and other activities as well.

When she's not at work, this Roane County native is an avid sports fan. Her two sons were baseball players when they were in school, and now that all three of her children are grown the whole family turns their attention to the Vols. They are big sports fans, both football and basketball, and frequently travel to see the Vols play in Bowl games.

Kathy has been married for 29 years to Rusty. Together, they enjoy their two grandchildren, Jayden, 5 and Mylah, 2, who both live nearby. They're looking forward to the birth of a third grandchild soon, although they'll have to travel to New Orleans to see him or her.

Congratulations, Kathy!



*The information in this publication is general in nature and is not intended to be treated as tax, legal, or accounting advice for your particular situation. You should seek advice from a qualified tax, legal or accounting advisor based on your specific issues before taking any action regarding the information and/or topics discussed here. We welcome the opportunity to discuss these issues in greater detail with you, to find the best solutions for you, your family and your business. This information is not intended to be nor can it be used by any taxpayer for the purpose of avoiding tax penalties.*

## Hitting the Trail to Pave the Way for Others

Sometimes giving back to the community means dusting off your old sneakers and running around town – for a good cause! Year round you'll find our Firm Administrator, Penelope Uselton, getting geared up for another 5K, 10K or even a half marathon. She runs or power walks, doesn't let the competition wear her out – she gets it! However, the main reason thousands of people participate each year in races is to raise money, for everything from cancer research to helping the homeless. "We all have our own pace, whether we gallop, trot or mosey; we get a little fitness in; plant the seeds of good health to our friends and family; but most importantly we're paving the way to better lifestyles and life-saving research

for the next generation," she explained.

"We need to run a race on Thanksgiving Day for somebody."

She said, and did! Penelope recruited Keith and their daughter Anna to run a 5k to raise money for Habitat for Humanity. This is the most recent of 19 races Penelope has participated in over the past few years.



Keith and Penelope after the Susan Komen race.



## Funding the Sleigh

Driving is getting more expensive all the time. Fortunately, the government understands that, and has adjusted the rates for mileage, beginning in January 2011. The new rates are:

- 51¢ per mile for business travel
- 19¢ per mile for medical and moving related travel
- 14¢ per mile for charitable travel



**Happy Holidays!**

— From all of us at  
**Daniels, Uselton & Clay, P.C.**

## Your Tax Organizer Is On Its Way!

We will be mailing your 2010 organizer during the week between Christmas and New Year, so watch your mailbox!

## W-2 and 1099 Tips

- Use decimal points and cents in money amount boxes, but do not add \$ signs. Do not staple W-3 to the W-2's.
- Check (if applicable) the retirement plan-box 13 and use correct codes for box 12a.
- Maximum amount subject to Social Security Tax for 2010, box 3 of W-2, is \$106,800.
- Reconcile the W-2's to the W-3, form 941 for all 4 quarters, Form 940 and state unemployment reports.
- Furnish Form 1099 MISC to any person, attorney or unincorporated business, to whom you have paid \$600+ during the year in rents or services.
- Furnish W-2's to employees by Feb. 1, 2011.
- All W-2 and 1099 paperwork to the IRS by March 1, 2011.
- Submit a separate Form 1096 with each type of return (e.g., 1099 MISC and 1099 INT.).
- Do not separate or cut Forms 1099.
- Furnish 1099s to payees by Feb. 28, 2011.

## The Uncertainty Of Death Taxes

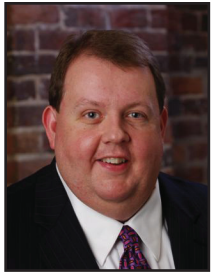
In his November 13, 1789 letter to Jean-Baptiste Leroy, Benjamin Franklin wrote "[I]n this world, nothing can be said to be certain, except death and taxes."

Franklin's wisdom couldn't foresee the uncertainty in the estate tax laws during 2010 and 2011. The combination of the expiration of the Bush tax cuts and Congressional inability to reach a compromise that was palatable to both political parties has created a great deal of estate planning tension.

Most commentators never anticipated that Congress would allow 2010's planned repeal of the estate tax to occur. However, we are now in December 2010, and estate tax repeal actually occurred.

Of course, the ugly part of the 2010 estate tax repeal was that the estate tax was to be reinstated in 2011. The reinstatement of the estate tax in 2011 was at 2001 levels. As such, the estate tax exemption for 2011 will be \$1,000,000, with a top estate tax rate of 55%.

This reinstatement of the estate tax for 2011 essentially makes many more people subject to the estate tax. If you would like to discuss your estate tax planning needs with us, please call us at 865-376-9564. We look forward to hearing from you.



Randy Hodge



## Life Less Taxing

continued from page 1

extra insulation or installing energy saving windows or buying and installing an energy efficient furnace, and qualify for a 30% tax credit. The total (aggregate) credit for energy efficient improvements to the home in 2009 and 2010 is \$1,500. Unless Congress acts, this tax break won't be around after this year.

- Convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries.
- Take required minimum distributions (RMDs) from your IRA or 401(k) plan (or other employer-sponsored retired plan) if you have reached age 70 1/2. Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn.
- Make annual exclusion gifts before year-end to save gift tax (and estate tax if it is reinstated). You can give \$13,000 in 2010 or 2011 to an unlimited number of individuals free of gift tax.

### Year-End Moves for Business Owners

- Hire a worker who has been unemployed for at least 60 days before year-end if you are thinking of adding to payroll soon. Your business will be exempt from paying the employer's 6.2% share of the Social Security payroll tax on the formerly unemployed new-hire for the remainder of 2010.
- Put new business equipment and machinery in service before year-end to qualify for the 50% bonus first-year depreciation allowance. Unless Congress acts, this bonus depreciation allowance generally won't be available for property placed in service after 2010. (Certain specialized assets may, however, be placed in service in 2011.)
- Make expenses qualifying for the \$500,000 business property expensing option. The maximum amount you can expense for a tax year beginning in 2010 is \$500,000 of the cost of qualifying property placed in service for that tax year.

- Set up a self-employed retirement plan if you are self-employed and haven't done so yet.
- Increase your basis in a partnership or S corporation if doing so will enable you to deduct a loss from it for this year. A partner's share of partnership losses is deductible only to the extent of his partnership basis as of the end of the partnership year in which the loss occurs. An S corporation shareholder can deduct his pro-rata share of an S corporation's losses only to the extent of the total of his basis in (a) his S corporation stock, and (b) debt owed to him by the S corporation.

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you. Please call us at 865-376-9564 if you would like to make an appointment to further discuss this letter.

