



CRISER | GOUGH | PARRISH

December 2010

“Working together for you.”

Criser, Gough, & Parrish

The Advisor

Stephen M. Criser — Laura B. Parrish — Greg R. Gough

Happy Holidays

You are
cordially invited
to celebrate the
holiday season
with beverages &
hors d'oeuvres
at our
OPEN HOUSE
Thursday
December 9, 2010
4:00 until 7:00 p.m.

We hope you will
stop by and see us.

(Casual attire)

*As you join us for our annual Holiday Open House, please consider a donation to a charity close to the heart of Criser, Gough, & Parrish - **Lexi's LAMB.***

OUR MISSION: To provide financial, emotional and material support for sick and special needs children through a partnership with parents, family and medical staff.

WHAT WE DO: We work with staff at local hospitals to help meet the needs of sick and special needs children and their families. We provide a range of items from craft supplies and toys for the kids, to meals for the parents while they are with their child in the hospital.

WHY WE DO WHAT WE DO: We had a precious baby girl for a short six months, and we want to help others faced with a similar challenge.

For contribution suggestions, please check the Lexi's LAMB's website, www.lexislamb.org. We will have an area designated to receive your donations on December 9th at our office. Thank you in advance for your support of this worthwhile cause.

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Did You Know?

We're on Twitter! To receive breaking news, go to

<http://twitter.com/CGPLLC>.

To check out our blog, go to

<http://crisergoughparrish.com/blog/>

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Home Energy Credit — Expires 12/31/10

People can weatherize their homes and be rewarded for their efforts. According to the Internal Revenue Service, homeowners making energy-saving improvements this fall can cut their winter heating bills and lower their 2010 tax bill as well.

Nonbusiness Energy Property Credit

This credit equals 30 percent of what a homeowner spends on eligible energy-saving improvements, up to a maximum tax credit of \$1,500 for the combined 2009 and 2010 tax years. The cost of certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass fuel all qualify, along with labor costs for installing these items. In addition, the cost of energy-efficient windows and skylights, energy-efficient doors, qualifying insulation and certain roofs also qualify for the credit, though the cost of installing these items does not count.

By spending as little as \$5,000 before the end of the year on eligible energy-saving improvements, a homeowner can save as much as \$1,500 on his or her 2010 federal income tax return. Due to limits based on tax liability, amounts spent on eligible energy-saving improvements in 2009, other credits claimed by a particular taxpayer and other factors, actual tax savings will vary. These tax savings are on top of any energy savings that may result.

Residential Energy Efficient Property Credit

Homeowners going green should also check out a second tax credit designed to spur investment in alternative energy equipment. The residential energy efficient property credit equals 30 percent of what a homeowner spends on qualifying property

such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines, and fuel cell property. Generally, labor costs are included when figuring this credit. Also, except for fuel cell property, no cap exists on the amount of credit available.

Not all energy-efficient improvements qualify for these tax credits. For that reason, homeowners should check the manufacturer's tax credit certification statement before purchasing or installing any of these improvements. The certification statement can usually be found on the manufacturer's website or with the product packaging. Normally, a homeowner can rely on this certification.

The IRS cautions that the manufacturer's certification is different from the Department of Energy's Energy Star label, and not all Energy Star labeled products qualify for the tax credits.

Eligible homeowners can claim both of these credits when they file their 2010 federal income tax return. Because these are credits, not deductions, they increase a taxpayer's refund or reduce the tax owed. An eligible taxpayer can claim these credits, regardless of whether he or she itemizes deductions on Schedule A.

(Source: IR-2010-110, Nov. 9, 2010, irs.gov)

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

New Rules Require Rental Property Owners to Issue 1099s

The recently enacted Small Business Jobs Act contained one provision that may have escaped the notice of taxpayers who own rental property, but will affect them starting in January. Under the provision, owners of property who receive rental income will be required to issue Forms 1099 to service providers for payments of \$600 or more during the year.

The act subjects recipients of rental income from real estate to the same information-reporting requirements as taxpayers engaged in a trade or business. Thus, rental income recipients making payments of \$600 or more to a service provider in the course of earning rental income are required to provide an information return (typically, Form 1099-MISC, *Miscellaneous Income*) to the IRS and to the service provider. This provision will apply to payments made after Dec. 31, 2010, and will cover, for example, payments made to plumbers, painters or accountants in the course of earning the rental income.

While rental property owners will not actually issue the required 1099s until early 2012, they need to start keeping adequate records of payments starting Jan. 1, 2011, so they will be prepared to issue correct 1099s. They will also need to obtain the name, address and taxpayer identification number of the service provider, using Form W-9 or a similar form.

Information Return Penalties

Taxpayers should also be aware that in addition to creating a new reporting requirement, the act increases the penalties for failure to file a correct information return. The first-tier penalty increases from \$15 to \$30; the second-tier penalty increases from \$30 to \$60; and the third-tier penalty increases from \$50 to \$100. For small business filers (with average annual gross receipts under \$5 million), the calendar-year maximum increases from \$25,000 to \$75,000 for the first-tier penalty; from \$50,000 to \$200,000 for the second-tier penalty; and from \$100,000 to \$500,000 for the third-tier penalty. The minimum penalty for each failure due to inten-

tional disregard increases from \$100 to \$250.

The increased penalties apply to information returns required to be filed on or after Jan. 1, 2011.

Expanded 1099 Reporting After 2011

Currently, payments to corporations are excepted from the 1099 information reporting requirements, but starting for payments after Dec. 31, 2011, businesses (including, now, individuals who receive rental income) will be required to file an information return for all payments aggregating \$600 or more in a calendar year to a single payee, including corporations (other than a payee that is a tax-exempt corporation). This change was made by the Patient Protection and Affordable Care Act, which was enacted in March. That act also expanded the information reporting requirements to include gross proceeds paid in consideration for property.

(Source: Journal of Accountancy, 11/11/10, <http://bit.ly/a4tBf8>)

Repay 2008 Homebuyer Tax Credit?

If you claimed a federal income-tax credit for a 2008 home purchase, you'll probably have to pay it back over 15 years, starting with your 2010 Form 1040, due in April.

Buyers who claimed the 2008 version of the credit generally must repay the credit in equal installments in the next 15 years, starting with their 2010 tax return.

Example: Say you claimed a \$7,500 credit for a \$200,000 purchase in 2008. You generally must add \$500, one-fifteenth of \$7,500, to the tax bill shown on your 2010 Form 1040. If you continue to own the home, you'll do the same thing for the next 14 years. If you sell this year, however, you'll have to repay the \$7,500 credit or your "gain on sale," whichever is smaller.

(Source: Bill Bischoffn, Smart Money, <http://on-msn.com/boZ7hx>)

Make Retirement Plan Contributions

If you have not already done so, make a contribution to your retirement plan. You can contribute up to \$5,000 to an individual retirement account (IRA) in 2010 if you're age 50 or younger, or you can contribute up to \$6,000 if you're older than 50 years of age and otherwise qualify to make a "catch-up" contribution. The maximum amount you can contribute to a 401(k) plan in 2010 is \$16,500 (and for individuals over the age of 50, a catch-up contribution of an additional \$5,500 can be made). You can generally deduct your contribution, in whole or in part, to a traditional IRA, 401(k) or other employer-sponsored retirement plan. Additionally, the contribution will reduce your taxable income. However, contributions to Roth IRAs are made after-tax, but qualified distributions and earnings will be tax-free.

Roth IRA Conversions

Also, if you have been interested in converting your traditional IRA into a Roth account, a **special rule applicable to conversions in 2010 only** will allow you to defer paying federal income tax on the conversion income until 2011 and 2012, ratably. Therefore, in lieu of including the entire taxable amount of conversion income in your taxable income in 2010, you can spread the amount out equally between two years if you so elect. However, be aware as discussed earlier that the individual income tax rates are scheduled to rise for 2011 and beyond. If you make the election to recognize the income ratably in 2011 and 2012, you will be taxed at the rates in effect for those years.

(Source: National Society of Accountants)

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Return Service Requested

"Working together for you."

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