

## Small Business Health Care Credit

By Bob Jennings, CPA, CFP, Taxspeaker.com

On March 23, 2010 President Obama signed in to law HR 3590, the 960 page "The Patient Protection and Affordable Care Act". This was followed on March 31, 2010 by HR 4872, 55 pages of "The Health Care and Education Reconciliation Act" which modified the original bill. The bill has three items affecting income tax for 2010: An increase in the adoption credit by \$1,000 with an extension for one year; a new 10% excise tax on tanning beds; and a new small business health care tax credit. This article will focus on the Health Care Credit provisions of the 2010 Act.

***Businesses with fewer than 25 employees will get tax credits covering 35 percent of their health care premiums, increasing to 50 percent by 2014.***

Go to [IR-2010-38](#), [IR 2010-63](#),

[Notice 2010-44](#) and [Newsroom Article 220839](#) for more information. Small businesses with less than 25 full time equivalent employees whose average annual wages are under \$50,000 are eligible for the 2010 credit. The credit maximizes at a 35% rate for employers with 10 or fewer employees and average earnings of less than \$25,000 and phases out at the 25 employee or \$50,000 threshold. The business is required to contribute at least 50% towards the cost of the insurance. The credit applies against AMT but is non-refundable. Starting in 2014 the credit amount increases to 50% but only for small businesses purchasing insurance through the exchanges. Certain charities will also qualify at a 25% credit rate.

### Qualifying Health Insurance

The employer must pay the equiva-

lent of 50% or more of the cost of single coverage for an employee. If the employer provides family coverage the employer must pay a portion at least equal to the cost of 50% or more of single coverage. The amount of insurance paid that qualifies for the credit is the employer portion only, after reducing the amount by any Health Flex plan employee deferrals, and the credit is limited to the state's average small group rates provided by the IRS in [Revenue Ruling 2010-13](#). [Notice 2010-44](#) states that dental and vision plans, long-term care insurance and specified illness insurance also qualify for the credit.

**Premiums paid for owners, partners, shareholders and their family members do not qualify for the credit. The Controlled Group rules apply.**

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## Attend the Annual Convention by the Sea!

It's not too late to sign up for the Annual Convention with our peers from the OAIA. The convention will be held in Lincoln City, OR., June 16-18. Bob Jennings will present 12 CPE hours on Hot Retirement Topics, Social Security Issues, and Practice Management & Technology.

The convention will be held at the Inn at Spanish Head with the IAPA Annual Meeting and the regular Board Meeting set for Jun 18 at 1:30 p.m. Contact Barb at the IAPA office for further details.

## What's this about logging in?

by Barb Neiwert, IAPA Executive Director

Over the winter while most of you have been busy preparing tax returns, I have been busy getting a new database, accounting and registration system in place. It seemed like I was writing the book, "Everything You Wanted To Know About HTML But Were Afraid to Ask!"

It wasn't quite involved as writing all the html coding, but it was a lot for this older brain of mine to absorb. But I waded through it, and now you can reap the benefits!

The annual seminar registration brochure will be coming out later this month, and you still have the option to sign up for our seminars and pay your renewal dues with a check. But if you would like to sit down at 7 a.m. with a cup of coffee and register for a Gear Up 1040 class, you can do so with a few keystrokes and you'll be all set! And rather than second guessing if the IAPA office received your registration, our new system will send you an immediate notice that your registration has been completed.

You can also go in and update any contact information, email addresses, or phone numbers. If you forgot the IAPA office email address, you can get it online, shoot me an email, and I'll be right on it!

Haven't had a chance to check it out yet? Here's all you do:

1. Go to our web site at <http://www.iapacct.com>
2. In the center section is an introduction to the registration. Click on the link.
3. This takes you to our login page. Click Login. Using

your primary email address and the temporary password of **Password 1**, log in. The system will ask you to create your own, secure password.

4. You'll see your profile information and can make changes as necessary.
5. Go to My Transactions on the left-hand side of the page and you can see if you have any open orders for your Renewal Dues or billings. You can pay it right there!
6. You can search the IAPA Directory for a variety of information, such as all members with certain certifications, all members from each town, all members with John as their first name, and even all members who have an address on Main Street.
7. Online Store: from here you can make a contribution to the Scholarship Fund in any amount you choose, register for a seminar, or pre-order a Gear Up manual if you would like an extra.
8. My Events keeps track of all your registrations!
9. My Professional Development tracks your CPE credits.
10. We also make it easy for you to enlist a new member to the IAPA by downloading an application under Join Now.
11. The IAPA Leadership contact information is available, as well as the IAPA office contact info. We are always just a click away!

Take a moment to explore around the new site. And if you have any questions at all, just give me a call at 1-888-866-2160. Have a safe, fun summer, and I look forward to seeing you at one of our seminars this fall!

## Seminar rate structure changing

Your Board of Directors has evaluated the seminar pricing structure and has worked hard to keep the seminar rates at their current pricing.

Even in these troublesome economic times with rising costs for meeting space, meals, speaker fees, etc., the Board voted to keep the seminar rates the same as they have been since 2007. With Early Bird Registration, IAPA Members will still pay just \$320 for a two-day, 16 CPE credit Gear Up seminar. Non-members will pay just \$370.

The only thing that has changed in the pricing structure is that this year the Member Rate will be offered only to IAPA Members. In the past, this rate was given to member's employees as well, but sadly this practice is no longer economically feasible.

Please consider that membership with the IAPA is so low—just \$85 a year—and it still gives you a \$50 discount on the seminars. In addition, members have access to both business and

individual group-rated insurance products. And you can be part of a group of top-notch professionals who work legislatively for your best interest!



If your employees would be like to have a membership of their own with IAPA, have them fill out a downloadable application, or call Barb at the IAPA office at 1-888-866-2160.

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"We want to encourage people to become registered IRS preparers," Williams said. "You are not going to see a lot of communication to the public initially about checking for PTINs. We do imagine starting to focus a big education effort on preparers themselves in the middle of 2011. "Then we will have outreach to the public. A lot of people in the gray market will be looking at the system. We will be trying to do as much as possible through the consumer push to get preparers to not go underground."

The public awareness campaign will educate taxpayers, preparers, and employees on the new requirements and standards, and Williams told NSA leaders, "We want to partner with you in developing messaging for the public awareness campaign."

The overall implementation of the program extends across three years, allowing tax preparers time to register and take the competency test(s). After three years, PTINs will be revoked from any tax preparers who have not passed the competency test for the types of returns they prepare.

As the program evolves, the IRS will begin comparing the types of returns preparers are signing and submitting with the competency test(s) the preparer has passed to ensure they are qualified.

"At some point in the future we will have an 1120 exam," Williams said. "We are trying to minimize the number of exams initially to capture the basic information."

**Other IRS recommendations for the program include requiring every paid tax return preparer who is not an EA, attorney, or CPA to complete 15 continuing education hours per year, including three hours of federal tax law updates, two hours of ethics, and 10 hours of federal tax law.** This would include revamping the current CE sponsor approval program.

"We are trying to focus CE on information that will affect preparing tax returns," Williams explained. "There are lots of organizations out there with their own CE, and we are very aware that there is a lot of value that you bring to the table. We want to make sure that all CE providers offer a minimum level of value. We may step on some little toes but not the whole foot."

(Continued from page 1)

### **Calculating the Credit**

Start by determining the employer paid premiums for all employees for whom the employer pays at least 50% of the individual premium amount. Include all qualified premiums paid for 2010 including those before the Act's passage. Then subtract the premiums paid for owners and their family members. You may leave in any premiums paid for seasonal employees. This net amount is multiplied by 35% (25% for charities) for a tentative credit. This credit will be reduced, but not below zero, for full time equivalent (FTE) employees in excess of 10 people, and for average wages in excess of \$25,000 per employee.

**Example.** XYZ pays \$45,000 in premiums for qualified employees. Its tentative credit is \$45,000 x 35% or \$15,750.

Now you must determine full time equivalent employees. To determine FTE's start by listing all employees and their annual work hours, limited to a maximum of 2,080 for each employee. Then subtract out all owners, family members and seasonal employees (those working on less than 120 days). The remaining total hours

will then be divided by 2,080 to determine FTE, which is always rounded down to the nearest lower whole number. Hours include each hour of service as well as vacation, sick pay and similar time. If FTE's are more than 10, the tentative credit must be reduced by this fraction  $[(FTE-10)/15 \times \text{Tentative credit}] = \text{credit reduction amount}$ .

Next determine average wages as follows. Start with FICA wages paid for all qualifying employees during **the employer's taxable year**. Reduce this by wages paid to seasonal employees, owners and their family members to arrive at net qualifying wages. Then divide the net qualifying wages by FTE to determine average wages (round down to the nearest \$1,000). If the average wages are \$25,000 or less no further action is needed, but if average wages are greater than \$25,000 the credit must be reduced by the following formula.  $[(\text{Average wages} - 25,000)/25,000 \times \text{Tentative credit}] = \text{credit reduction amount}$ . Remember the credit will never be reduced below zero.

**Example.** For the 2010 tax year, an employer pays \$224,000 in wages and has 10 FTEs.

The employer's average annual wages would be: \$22,000 (\$224,000 divided by 10 = \$22,400, rounded down to the nearest \$1,000)

### **Claiming the Credit**

The credit is claimed on the employer's annual income tax return on an as-yet-to-be-determined form and also applies against AMT. As a general business credit it is not refundable and carries forward 20 years. Flow through entities will pass the tentative credit to owners. For a tax-exempt employer, the IRS will provide further information on how to claim the credit. The premium deduction is reduced by any credit taken. We will have detailed examples and discussion in all of our 2010 Business and 1040 tax seminars.

**As a way to provide you with seminars we can't affordably bring to Idaho, you can now attend a seminar with Bob Jennings through a Live Streaming Webcast!**

**Just go to [www.iapacct.com](http://www.iapacct.com) and click on the link to Jennings' website. In doing so, you will receive a 10% discount off the cost of the seminar, and the IAPA will receive a contribution as well.**

## Are you missing out on a well-known tax incentive?

The Energy Policy Act of 2005 (EPACT) added section 179D to the Internal Revenue Code. Section 179D permits a deduction for the costs of installing certain energy efficient building systems in commercial buildings. This was extended beyond 2008 for another 5 years by President Bush on October 3, 2008 with the Historic Financial Rescue Bill HR 1424.

The deduction applies for both new and previously existing properties and is applicable for the year in which the energy-saving property was made ready for its intended use. The owner of the building can claim the deduction but most importantly a special rule exists for Energy Efficient property installed in commercial buildings owned by a federal, state or local government entity.

The rule is that the deduction is allocable to the designers of the technical specifications of the energy efficient property. A designer is a person that creates the technical specifications for installation of energy efficient property and may include architects, engineers, contractors, environmental consultants or energy services providers.

Persons who perform installations, repairs, or maintenance of the property are not qualified to receive the deduction allocations.

Many architects, engineers, contractors, environmental consultants and energy services providers are not taking advantage of this potentially large tax deduction. Most are unaware that they are eligible for the deduction, in addition, if they were aware, as with many tax incentives, there is lots of red tape involved.

I have listed just a few of the documentation requirements below with links to the documents which contain all the necessary documentation requirements:

- Certification of the building as

an energy efficient building meeting standards set forth must be performed by a licensed engineer or contractor who is properly licensed in the jurisdiction where the building is located.

- The engineer or contractor cannot be related to the taxpayer claiming deduction and has represented in writing to the taxpayer that he or she has the qualifications to provide the certification required or to perform the inspection and testing described.
- Certification Letter that satisfies section 179D and the required contents are outlined in IRS Notice 2006-52, here is a link to that document: <http://www.irs.gov/pub/irs-drop/n-06-52.pdf>
- Statute requires that certain approved software programs must be used in identifying energy expenditures for the purposes of the deduction. A public list of allowable software is viewable at the DOE's web site: [http://www1.eere.energy.gov/buildings/qualified\\_software.html](http://www1.eere.energy.gov/buildings/qualified_software.html).
- And the list goes on.....



I'm sure you're wondering if this is such a hassle why I should even bother. The reason is the substantial tax benefits.

For a fully qualified building, the deduction is a maximum of \$1.80 per square foot, less the aggregate amount of Section 179D deductions allowed for the building for all prior taxable years.

Partial qualification is allowed as well and the maximum allowable deduction available in this case is \$0.60 per

square foot, less the aggregate amount of Section 179D deductions allowed with respect to the building for all prior taxable years.

### Example

- A 100,000 square foot building could have a maximum deduction of \$180,000 at \$1.80 per square foot. At a marginal tax rate of 35 percent, the tax savings would be \$63,000.

As you can see, there is substantial benefit. The benefit is based on work you are doing or have done. The deduction is taken in the year the work was completed but you can go back 3 open tax years. That means, for example, if you completed work on a facility back in 2008, you can amend your 2008 returns and take advantage of the incentive.

If you believe you may have completed some work or in the process of completing a project that may qualify, how can you or your firm take advantage of this incentive? The answer is to outsource the task to a qualified consulting firm. Their certified engineering professionals can help you determine if you can take advantage of this great tax incentive and if so, maximize your deductions. Find a firm that offers a cost free analysis to determine if your project qualifies and if your firm can take advantage of the tax incentive.

### About the Authors:

The authors are **Karim Solanji**, Director and **Mark Lauber**, VP of Marketing, both of **Paradigm Partners**. Paradigm Partners is a national tax consulting firm specializing in niche tax services such as the R&D Tax Credit, the IC-DISC (U.S. Exporters' Tax Incentive), WOTC (Federal and State Hiring Tax Incentives), Section 179 and Cost Segregation. Mark's email is [MLauber@ParadigmLP.com](mailto:MLauber@ParadigmLP.com) and his phone number is (281) 558-7100 X-105. [www.ParadigmLP.com](http://www.ParadigmLP.com).



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### IAPA Benefits

Don't forget that IAPA membership comes with benefits—need business liability insurance? Life? Medical? For great competitive rates and superior service, contact our affiliates at IAPA Benefits by calling 208-794-2186, email renojones@finsvcs.com. Even click on the Idaho Benefits logo on our web site at www.iapacct.com.

### Benefits through Aflac

For a host of supplemental insurance coverage, IAPA members can receive discounted group rates with Aflac. Just contact our agents Brandon Hoobler at 208-420-6167 or Tay Dennis at 208-866-4967.

### Accounting Scholarships

Recipients of this year's Betty Schmidt Memorial Scholarship will

be announced June 18!

### Welcome new members!

We would like to welcome the most recent members of the IAPA! Thank you for your support!

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|---------------------|------------|
| Emily Call          | Nampa      |
| Mauria Teuscher     | Montpelier |
| James Teuscher      | Montpelier |
| Leslie Gourley, CPA | Post Falls |



### HIRE Act Details

The Hiring Incentives to Restore Employment (HIRE) Act signed by President Obama on March 18 gives employers who hire unemployed workers a 6.2% payroll tax exemption and

a new hire retention credit up to \$1,000.

To qualify, the new employee must have been unemployed or have worked fewer than a total of 40 hours during the 60-day period before starting work. The employer must get a signed statement from the employee to this effect. Employers can use a new form—Form W-11—to meet this requirement. The W-11 is not filed with the IRS, but is to be retained by the employer along with the other payroll and income tax records.

Eligible employers will use Form 941 to claim the payroll tax exemption for eligible new hires. This form has been revised for use beginning with the second calendar quarter of 2010.

### 2010 Seminar Schedule

**-2010-**  
**1-888-866-2160**

- June 16-18 **IAPA/OAIA Convention**  
Lincoln City, OR
- June 18 **Annual Meeting & Board Meeting**  
1:30 p.m. Lincoln City, OR
- Sept. 23-24 **Gear Up Business Entities**, Post Falls  
8 am—4 pm  
Red Lion Templin's
- Oct. 4-5 **Gear Up Business Entities**, Twin Falls  
8 a.m.—4 p.m.  
Red Lion Canyon Springs Hotel
- Oct. 28-29 **Gear Up 1040**  
8 am-4:30 pm  
Idaho Falls Shilo Inn

- Oct. 28 **Gear Up Ethics**  
5 pm—7 pm  
Idaho Falls Shilo Inn
- Nov. 8-9 **Gear Up 1040**  
8 am-4:30 pm  
Boise, DoubleTree Riverside Hotel
- Nov. 8 **Gear Up Ethics**  
5 pm to 7 pm  
Boise, DoubleTree Riverside

### IAPA Board of Directors Meeting

- Oct. 4 Twin Falls, Idaho  
4:15 p.m.  
Red Lion Canyon Springs Hotel

All members are welcome to attend!

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## *IRS outlines plans for tax preparer regulations and testing*

Alexandria, VA, May 27, 2010 — David R. Williams, the IRS Executive Lead for Implementation for the proposed IRS regulations for tax preparer registration and testing, gave a complete rundown on the program at the NSA Board of Directors meeting on May 21, 2010.

The target launch date for the online registration system is September 2010, and Williams and his team are focusing much of their efforts on achieving that initial goal.

Under the program, Federal tax return preparers who are paid to prepare all or substantially all of a tax return or claim for refund will be required to obtain a Preparer Tax Identification Number (PTIN), which must be used after December 31, 2010, by all paid federal tax return preparers on the returns or claims they sign. The PTIN will be valid for three years.

Williams emphasized that tax return preparers who apply for a PTIN will be subject to tax compliance checks to ensure the tax return preparer has filed all required tax returns and paid, or made proper arrangements with the IRS for the payment of, any federal tax debts. The same checks will be in effect for PTIN renewals in the future. "Be proactive," Williams advised. "Resolve any tax compli-

ance issues now before applying for or renewing a PTIN." Current IRS recommendations would require any paid tax return preparer who is not an enrolled agent, attorney, or Certified Professional Accountant (CPA) to pass a competency test within three years from the initial implementation date of the registration program.

The IRS is developing two levels of competency tests – one for wage and non-business 1040 returns and a second test for wage and small business 1040 returns.

These tests are expected to be available by April 2011 – until then, existing tax return preparers will be permitted to obtain a PTIN and continue preparing tax returns during this transition period, which will last until the PTIN must be renewed in three years. **Once testing is available, new unregistered unenrolled tax return preparers will be required to pass the competency test before they obtain a PTIN and begin preparing tax returns.**

Because of this, Williams said the IRS is encouraging tax preparers to register and obtain a PTIN later this year and take advantage of the three year transition period to take and pass the examination.

*(Continued on page 3)*