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RULES CHANGE FOR CONVERSIONS FROM TRADITIONAL IRA TO ROTH

Income ceilings on retirement account to Roth IRA conversions have been removed, thanks to a new law that took effect January 1, 2010. In general, the new regulations will permit more people, especially those with higher incomes, to convert to Roth IRAs.

It's important to understand that **you will have to pay federal and state income taxes on the entire conversion amount in the year of the conversion.** The taxes must either be withdrawn from the conversion or paid out of non-retirement cash.

Roth accounts have several advantages over other retirement accounts, including tax-free distributions after 5 years and age 59½; and no minimum distributions after age 70½.

The disadvantages can be equally significant for those in certain circumstances. If you're close to retirement (58 or older) or you already have most of your investments in retirement accounts, you probably won't have enough time to reap the advantages of a Roth. For some investors, income from the Roth may move you to a higher tax bracket now or after retirement. And for some, the tax liability of the conversion is simply more than they should reasonably spend.

If you are thinking of converting your employer retirement accounts or traditional IRAs to a Roth IRA, be sure to call us before you act. We can advise you on whether or not a conversion will benefit you in the long-term, and help you plan your conversion to reduce the tax liability.



IRS ANNOUNCES 2010 STANDARD MILEAGE RATES

Beginning on January 1, 2010, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) is:

- 50 cents per mile for business miles

HOW THE NEW HEALTH CARE LAWS WILL AFFECT YOU IN 2010

The 2010 health care reform laws will roll out their provisions between now and 2018. Here are some provisions of the new law that take effect immediately and for tax year 2010.

Extension of Parents' Coverage for Children

Starting this year, adult children can continue to be covered under their parents' health insurance up to age 26, if they are not eligible for employer coverage on their own.

Small Business Tax Credit

Small businesses and tax-exempt organizations that provide

- driven
- 16.5 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The business mileage rate was 55 cents in 2009. The medical and moving rate was 24 cents.

health insurance to their employees may now qualify for a special tax credit. In general, the credit is available to small employers that pay at least half the cost of single coverage for their employees.

The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ low- and moderate-income workers. It is generally available to employers that have fewer than 25 full-time equivalent (FTE) employees paying wages averaging less than \$50,000 per employee per year.

If you have any questions about how these new laws will affect you or your business, please give us a call.

LOOKING AHEAD TO 2011

Changes that will take effect starting in 2011 include the establishment of Simple cafeteria plans for small businesses; elimination of the employer deduction for Medicare Part D prescription coverage; and disclosure of employer-sponsored health insurance on W-2 forms. We'll provide more information on these changes as they approach.

This publication is not intended to be financial or tax advice, but is intended only to inform the reader of recent developments. If you require financial or tax advice on a particular matter, please contact us directly at (401) 738-2900, or email info@fradincpa.com



TANNING TAX

If you like to visit the tanning salon, be aware that your tan will cost more starting July 1. That's when a new 10% tax on indoor tanning services will take effect. Like a sales tax, the tax will be collected from the person tanning when payment is made.

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