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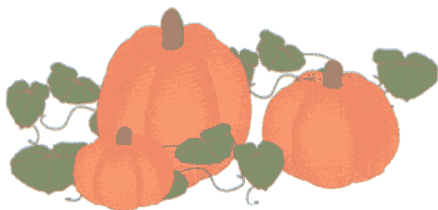
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HEALTH CARE LAW PROVISIONS IN EFFECT FOR 2011

The new health care law rolls out over the next 4 years. These are the major provisions taking effect for tax years beginning after Dec 31, 2010:

- **Information reporting.** Employers are required to disclose on each employee's annual Form W-2 the value of the employee's health insurance coverage sponsored by the employer.
- **SIMPLE cafeteria plans for small businesses.** Eligible small employers have a safe harbor from the nondiscrimination requirements for cafeteria plans and specified qualified benefits offered under a cafeteria plan, including group term life insurance, benefits under a self-insured medical expense reimbursement plan, and benefits under a dependent care assistance program. Under the safe harbor, a cafeteria plan and the specified qualified benefits are treated as meeting the specified nondiscrimination rules if the cafeteria plan satisfies minimum eligibility and participation requirements and minimum contribution requirements.
- **Prescription drug coverage deduction.** The Patient Protection Act eliminates the IRC § 139A deduction for employers who subsidize prescription drug coverage for their employees who are eligible for Medicare Part D.
- **Restrictions on use of HSA and FSA funds.** Under the Patient Protection Act, amounts paid for **over-the-counter medications** will no longer be reimbursable from health savings accounts (HSAs), Archer medical savings accounts (MSAs), health FSAs, or health reimbursement arrangements. Amounts paid for a drug will only meet the definition of "qualified medical expenses" if the drug is a prescribed drug (or is insulin).

If you have any questions about how the new health care law will affect you in 2011, please give us a call. 🌿🌿

SAVE TIME, PROTECT ELECTRONIC DOCUMENTS WITH OUR CLIENT PORTAL

Our online Client Portal is a fast and secure way to exchange electronic documents with our clients. If you need copies of tax returns or financial statements, we can upload them to your secure personal folder for you to access at any time.

Even very large files such as Quick-books and Peachtree bookkeeping records can be uploaded much more quickly than via email. And the Portal gives you access to your documents from any computer with an internet connection, with your own secure password.

To start using our Client Portal, go to www.fradincpa.com and click on the "Register Here" link in the last paragraph. Once you have completed your registration, you can log on at any time from the login box on our home page. 🌿

WHY HAVE A LIVING TRUST?

A living trust (or inter vivos trust) is a trust you create while you're alive, rather than one that is created at your death under the terms of your will. You can be the trustee of your own living trust, keeping full control over all property legally owned by the trust.

All living trusts are designed to avoid probate. Some also help you save on death taxes, and others let you set up long-term property management. Unlike a will, which becomes public when submitted to probate, the terms of a living trust need not become public.

Property you transfer into a living trust before your death doesn't go through probate. The successor trustee, the person you appointed to handle the trust after your death, transfers ownership to the beneficiaries you named in the trust. The whole process often takes only a few weeks, with no legal or court fees. When the property has all been transferred to the beneficiaries, the living trust ceases to exist.

A simple probate-avoidance living trust has no effect on either income or estate taxes. More complicated living trusts, however, can greatly reduce your federal estate tax bill if you expect your estate to owe estate tax at your death.

You probably don't need a living trust if you are young and healthy. Your main estate planning goals are probably making sure that in the unlikely event of your early death, your property is distributed how you want it to be and, if you have young children, that they are cared for. To accomplish those ends; writing a will, and perhaps buying some life insurance, would be simpler.

If you think you might benefit from a living trust, or have any questions about these trusts, please give us a call.



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

A publication of
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PENALTIES ON LATE FILING OF S CORPORATION AND PARTNERSHIP RETURNS

Partnerships and S corporations that file late or incomplete tax returns risk new penalties from the IRS.

For tax years starting in 2010, late or incomplete returns incur a penalty of **\$195 per month per shareholder** (S corporation) or per partner (partnership) for up to 12 months until the return is complete.

For S corporations, the penalty will be higher if tax is owed with the late/incomplete return.

If you anticipate problems or delay in preparing your 2010 return, please give us a call so we can help you avoid these penalties. 🌟