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ABOUT YOUR  
BUSINESS PAYROLL  
NEEDS**

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## **TAX TIPS FOR MAKING CHARITABLE DONATIONS**

If you plan to deduct charitable contributions on your 2010 tax return, here are some things you need to know:

1. Charitable contributions must be made to qualified organizations to be deductible. Ask the organization, or check IRS Publication 78, Cumulative List of Organizations, which lists most qualified organizations.
2. Charitable contributions are deductible only if you itemize deductions using Form 1040, Schedule A.
3. You generally can deduct your cash contributions and the fair market value of most property you donate.
4. If your contribution entitles you to receive merchandise, goods, or services in return – such as admission to a charity banquet or sporting event – you can deduct only the amount that exceeds the fair market value of the benefit received.
5. Only contributions actually made during the tax year are deductible. For example, if you pledged \$500 in September but paid the charity only \$200 by Dec. 31, your deduction would be \$200.
6. Keep good records of any contribution you make. For smaller cash contributions, the record might be a cancelled check, a bank or credit card statement, or a written record from the charity containing the date and amount of the contribution and the name of the organization.
7. Cash contributions of \$250 or more must be substantiated by a written acknowledgment from the organization. This written proof must include the amount of cash, a description and good faith estimate of value of donated property, and whether the

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organization provided any goods or services in exchange for the gift.

Special rules apply to several types of donated property, including clothing or household items, cars and boats. Talk to us if you plan cash or non-cash contributions of \$500 or more, so we can help you take advantage of the deductions. 📌

## TAX CREDITS FOR COLLEGE

The American Opportunity Tax Credit will help many parents and college students offset the cost of college. Available through December 31, 2010, this credit:

- Can be claimed for qualified tuition and related expenses that you pay in 2009 and 2010, including tuition and fees, books and required course materials.
- Is equal to 100% of the first \$2,000 spent per student per year and 25% of the next \$2,000. Therefore, the full \$2,500 credit may be available to a taxpayer who pays \$4,000 or more in qualifying expenses for an eligible student.
- Is generally available to eligible taxpayers who make less than \$80,000 (\$160,000 for married filing jointly). It is gradually reduced for taxpayers with higher incomes.
- 40% of the credit is refundable, so even those who owe no tax can get up to \$1,000 of the credit for each eligible student as cash back.
- You cannot claim the tax deduction in the same year

## HEALTH INSURANCE TAX CREDIT FOR SMALL EMPLOYERS

A new tax credit is available for tax-exempt organizations and small businesses with fewer than 25 full-time employees, who pay half or more of their employees' health insurance. Qualifying employers may be able to claim up to 35% of the cost of health insurance premiums for the year (up to 50% starting in 2014). Eligible employers can claim the credit starting with the 2010 tax return.

The credit is designed to encourage small employers to offer health insurance coverage for the first time, or to maintain coverage they already have. It is specifically targeted to employers of primarily low and moderate income workers.

To qualify for the credit, an employer must:

- Cover at least 50% of the cost of health insurance for some of its workers based on the single rate;
- Have fewer than 25 full-time workers or the equivalent (e.g. less than 50 half-time workers);
- Pay an average annual wage of \$50,000 or less per employee.

If you think your business may be eligible for this credit, please call us so we can review your circumstances and plan accordingly. 📌

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## ALTERNATIVE MOTOR VEHICLE TAX CREDIT

that you claim the American Opportunity Tax Credit or the Lifetime Learning Credit. You must choose to either take the credit or the deduction.

If you think you may qualify for this credit, please call us so we can discuss your situation.



If you have recently purchased an alternative fuel car or light truck, you may qualify for a tax credit. Types of vehicles that may qualify include:

- Hybrid
- Alternative fuel
- Fuel cell
- Lean burn

For hybrids, the manufacturer may provide a certification that the vehicle qualifies for the credit; for other types, the IRS lists some qualified vehicles on their web site, [www.IRS.gov](http://www.IRS.gov).

If you think you may qualify for the alternative motor vehicle credit, please give us a call, so we can help you make the determination and claim any credit you can receive.

## TAX BENEFITS FOR JOB SEEKERS

If you have spent any of 2010 looking for a job in your current occupation, you may be able to deduct some of your job search expenses on your tax return.

You may take these deductions **only if you are eligible to itemize deductions, and only for the amount of expenses in excess of 2% of your Adjusted Gross Income.** For example, if you have an AGI of \$10,000, the first \$200 of your expenses is not deductible.

Assuming you are eligible for the deduction, some kinds of job search expenses you can deduct are:

## SEVEN FACTS ABOUT THE ENERGY SAVER CREDIT

Making some energy saving improvements to your home now may lead to bigger tax savings next year. Here are seven things the IRS wants you to know about the Nonbusiness Energy Property Credit:

1. The new law increases the credit rate to 30% of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 claimed for 2009 and 2010 combined.
2. The credit applies to improvements such as adding insulation, energy-efficient exterior windows and energy-efficient heating and air conditioning systems.
3. To qualify as "energy efficient," products generally must meet higher standards than the standards for the 2007 credit.
4. Manufacturers must certify that their products meet new standards and provide a written statement to the taxpayer with the packaging of the product or in a printable format on the manufacturers' website.
5. Qualifying improvements must be placed into service after December 31, 2008, and before January 1, 2011.
6. The improvements must be made to the taxpayer's principal residence located in the United States.

7. Taxpayers must claim the credit on the tax return for the year that the improvements are made.

Homeowners who have been considering some energy efficient home improvements may find these tax credits will get them bigger tax savings next year.

Talk to us if you think you qualify for this credit.

- Employment and outplacement agency fees.
- Money you spend for preparing and mailing copies of your résumé to prospective employers.
- Travel expenses to and from an area where you went to look for a new job. You can only deduct the travel expenses if the trip is **primarily** to look for a new job.

However, not all job search expenses qualify for a tax deduction. You cannot deduct job search expenses if:

- You are looking for a job for the first time;
- You are looking for a job in a new occupation;
- Substantial time elapsed between the end of your last job and the start of your search for a new one.

If you have been involved in a job search this year, keep good records, and let us know about your search so that we can help you take all the deductions for which you qualify. 🍀

## WHAT TAX RECORDS SHOULD YOU KEEP?

How long do you have to hold onto tax-related records? The bottom line is that you should keep those records until you will no longer need them to substantiate your return.

This time period is based on the IRS statute of limitations. For audits and assessment of additional taxes, **the statute of limitation runs generally three years from the date you file your return.** If you're looking for an additional refund, the limitations period is generally the later of three years from the date you filed the original return or two years from the date you paid the tax.

Once the statute of limitations has expired, the IRS can't go after you for additional taxes, but you can't go after the IRS for additional refunds, either. If you've filed on time and paid what you should, you only have to keep your tax records for 3 years.

Records to keep for the 3 year period include all **income and expense records**, such as W-2s, 1099s, brokerage and bank statements. Also keep checks, receipts, mileage logs, and other documents that substantiate your deductible expenses. ||

Your **Social Security records** may also need substantiation from taxable income records. Check with the Social Security Administration each year to confirm that your payments have been appropriately credited. If they're wrong, you'll need your W-2 or Schedule C (if self-employed) to prove the right amount.

You may need to keep tax records longer than 3 years in certain situations.

- If you don't report all your income and the unreported amount is more than 25% of the



gross income actually shown on your return, the limitation period is six years.

- If you've claimed a loss from a worthless security, the limitation period is extended to seven years.
- If you file a 'fraudulent' return, or don't file at all, the limitations period never begins to run. The IRS can get you at any time.

Certain types of documents and transaction records should be kept for longer than the 3 year period, sometimes much longer. Documents you should hold onto include:

- **Tax returns.** Keep copies of your tax returns for at least 6 years after the date of filing. If a question arises, you can't rely on the IRS to actually have a copy of your old returns.
- **Capital gains and losses.** Keep until you sell the securities plus at least three years after you file the return reporting their sales.
- **Business records.** Non-residential real estate is now depreciated over 39 years, so you should keep related records for three years after you file the return for the 39th year. That's a long time to hold onto receipts, but you may need to validate those numbers.

If you have any questions about what tax and financial records to keep, please give us a call. 📞

## DOES THE IRS OWE YOU MONEY?

The Internal Revenue Service may have money for you. You may be due an unclaimed refund in a year for which you were not required to file a return. Or perhaps you never received your refund for a previously filed tax return.

### Unclaimed Refunds

If your income was so low that you were not required to file, you may have an unclaimed refund if you had taxes withheld from your wages, or if you were eligible for the refundable Earned Income Tax Credit.

- To collect this money a return must be filed with the IRS no later than three years from

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the due date of the return.

- If no return is filed to claim the refund within three years, the money becomes the property of the U.S. Treasury.
- There is **no penalty** assessed by the IRS for filing a late return qualifying for a refund.

### **Undeliverable Refunds**

Were you expecting a refund check but didn't get it? *The IRS delivers refunds by mail if no bank information is provided for a direct deposit, or if the bank information is incorrect.*

- Refund checks are mailed to your last known address. Checks are returned to the IRS if you move without notifying the IRS or the U.S. Postal Service.
- You may be able to update your address with the IRS on the "Where's My Refund?" feature available on IRS.gov. You will be prompted to provide an updated address if there is an undeliverable check outstanding within the last 12 months.
- You can also ensure the IRS has your correct address by filing Form 8822, Change of Address.

If you think you may be due or missing a refund, contact us so we can help you determine your status and claim any refund due you. 🍀

