



Money Watch

Relief for Georgia Flood Victims

by Kristin Gill

The IRS has provided tax relief for qualifying individuals and businesses affected by Georgia's recent severe storms and flooding. This relief is twofold. First, affected taxpayers are automatically granted an extended due date to file returns and pay taxes. Second, the law allows taxpayers additional relief via tax deductions for casualty losses suffered due to flood damage.

Individuals and businesses located in counties designated as disaster areas, or whose records are located in these counties, that have either an original or extended due date occurring on or between September 18 and December 17, 2009 are granted extended time to file returns and make tax payments. The due date for all affected taxpayers is December 17, 2009.

In addition to an extended due date, affected taxpayers are provided relief for casualty losses suffered. Taxpayers in federally declared disaster areas who suffered casualty losses can claim the loss on either their 2008 or 2009 tax return. A casualty loss results when a taxpayer's personal-use property is damaged or destroyed. If the casualty loss is claimed on a 2008 tax return, the loss from each event is reduced by \$100. The casualty loss is reported as an itemized deduction on Schedule A of Form 1040. If the casualty loss is claimed on a 2009 tax return, the loss from each event is reduced by \$500. For 2009, taxpayers can claim the "net disaster loss," whether or not the taxpayer itemizes their deductions. A "net disaster loss" is the total casualty losses suffered in a federally declared disaster area, reduced by any casualty gains. Please note that the 10% adjusted gross income limitation no longer applies for 2008 or 2009 for casualty.

Consult your HLBGC advisor to determine the most beneficial year to claim your casualty loss.

Additional resources for flood victims:

- The Georgia Department of Revenue has provided Disaster Relief for affected taxpayers similar to the IRS. For details visit <https://etax.dor.ga.gov/whatsnew.aspx>
- For additional federal details see the IRS website at <http://www.irs.gov/newsroom/article/0,,id=213657,00.html>
- For more information on calculating casualty losses for individuals see the IRS Disaster Loss Kit: <http://www.irs.gov/pub/irs-pdf/p2194.pdf>

BEWARE - E-Mail Scam Alert

"Notice of Underreported Income"

There is an e-mail scam claiming to be from the IRS titled "Notice of Underreported Income." **This is a Phishing Scam.** If you receive this or any similar type of e-mail, do not reply, do not open any attachments and do not click on any links.

- The IRS does not send notices by e-mail.
- The IRS does not request detailed personal information through e-mail.
- The IRS does not send e-mail requesting your PIN numbers, passwords or similar access information for credit cards, banks or other financial accounts.

Report suspicious e-mails and bogus IRS web sites to phishing@irs.gov. You can also forward suspicious e-mails to the Federal Trade Commission at spam@uce.gov.

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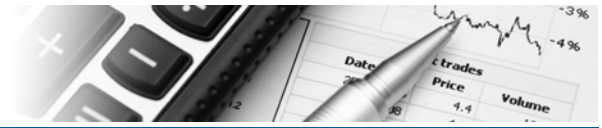
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IRA to Roth Conversion Important 2010 Opportunity

by Pauline D. Reynolds

In a few months a significant opportunity will be available for individuals. Beginning in 2010, you will be able to convert your traditional IRA to a Roth IRA, regardless of your income level or filing status. This is an exceptional opportunity for many. Here is how it is going to work and what the implications are.

First, here are some basics on a Roth IRA. The Roth IRA contribution is not deductible for tax purposes, so assuming certain age and holding period requirements are met, it is not taxable upon withdrawal. Also, there are no required distributions at any age, so unlike a regular IRA you are not required to begin taking distributions when you turn 70½. At death, there really are no differences as both are still taxed in your estate and a beneficiary has the same distribution requirements from either the Roth or the regular IRA.

Now, let's look at the conversion of the regular IRA to the Roth. Any part, or all, of your IRA can be converted to a Roth; it doesn't have to be an all or none situation. However, the conversion does create taxable income which is taxed as ordinary income at your regular marginal rate. Effectively, this accelerates the taxable income that you would eventually have begun once you were 70½ and were required to take distributions from your IRA. However, it does cap the amount you will have to pay tax on. This is significant.

Congress did provide different options to pay the tax on the conversion. You can either pay all of the tax in 2010 or you can average it over 2011 and 2012. However, you will be subject to the applicable income tax rates in 2011 and 2012 so you must consider what effect the applicable tax rates will have on your conversion income. For planning purposes, it may make sense to wait until October of 2011 to file your 2010 tax return. By that time the tax rates for 2011 and 2012 should be published. Then you can decide which year to include the income.

Why would you want to convert to the Roth and pay the tax early? There are many reasons that make this a very important opportunity. Once you meet certain holding period requirements a Roth distribution is tax free, so **all** earnings and appreciation after the conversion are free from tax. For example, assume that you have a \$100,000 IRA that you convert to a Roth. You pay the tax at conversion on the \$100,000 (probably \$28,000 to \$35,000 in tax). If you keep the account for 20 years and let it continue to grow tax free it will be worth about \$466,000, assuming an 8% growth rate. However, the tax paid up front would have been worth about \$95,000 after 20 years. Effectively, you would have \$370,000 net. The additional growth of \$366,000 will not be subject to tax and the full balance will be free from tax. That is quite a bargain! Of course, the higher the growth rate on the retirement account, the more benefit there is in converting. Assuming a 15% return, the value of the account in 20 years would be \$1,636,000, which means you would receive \$1,536,000 tax free. The longer the time horizon, the greater the benefit would be to your family.

Because the Roth does not have the required minimum distribution requirements that a regular IRA does, you will not be required to begin taking distributions from the Roth when you turn 70½. This will allow the account to continue to grow tax free. This is particularly important for those who do not need the retirement account to live on. You can let it continue to grow tax free and have a tremendous impact on the amount of money you are passing on to your family.

Converting from a traditional IRA to a Roth IRA should be strongly considered in 2010. Advance planning and strategizing should be on your agenda. Contact us and we will assist you in determining if an IRA conversion makes sense for your financial plan.

Coming to work or invest in the U.S.?

You may need an Individual
Taxpayer Identification Number
(ITIN)

by Jake Bodenheimer

The ITIN is a nine-digit number issued by the IRS to individuals who are required to have a U.S. taxpayer identification number for tax purposes but who do not have and are not eligible to obtain a social security number. The ITIN is for federal tax purposes only. It does not entitle the holder to social security benefits or change an immigration status or the right to work in the U.S. ITINs are issued regardless of immigration status because both resident and nonresident aliens may have U.S. tax filing responsibilities. An ITIN is needed when a nonresident alien wants to claim the benefit of a reduced withholding rate under an income tax treaty. An alien spouse or dependent eligible to be claimed as an exemption on a U.S. tax return but who is otherwise not eligible for a social security number needs an ITIN.

Before you apply for an ITIN, you must first make an application for a social security number, Form SS-5, and receive a rejection notice that you are not eligible for a social security number. Once you receive the rejection you must apply for an ITIN on Form W-7 and attach a copy of the rejection letter. Form W-7 also requires original, notarized or certified proof of identity documents. There are very specific requirements for completing Form W-7. An incorrect application may lead to a rejection. If you qualify for an ITIN and your application is complete then it can take anywhere from 6 – 10 weeks to receive an ITIN. Applications mailed from abroad may take longer. Let us know if we can assist you with your ITIN application.



Social Network Users Beware

The Tax Man Cometh

by Sonya Coates

Social networking is the latest rage among the masses, and it seems that even the Internal Revenue Service has decided to log on. Both federal and state revenue agents have reportedly been nabbing delinquent taxpayers by using Facebook, MySpace, Twitter, and other social networks. Google is also an important new tool for tracking down tax dodgers.

In one reported case, the tax man logged on to MySpace and found the location of a tax evader who had listed his new address as part of a relocation application that was sent out to all his MySpace friends. The man posted a comment that he was relocating back to his hometown for his new job. He gave the name of his new employer and boasted about the increase in salary he would be receiving. The IRS was able to log on to MySpace, and find all the information they needed to track the man down. They successfully seized his assets, bank accounts, and real property, and ultimately recovered the full amount of back taxes he owed.

The IRS has admitted to scouring social network sites to nab delinquent taxpayers and tax evaders. Taxpayers are making the IRS's work all the easier by disclosing all their personal information online. Rather than having to go into local communities and track down family, friends, or former coworkers for information they may have about the subject of the IRS investigation, IRS agents can just log on. Agents are bound by ethics rules which prohibit them from logging on and posing as a friend of the target of their investigation, but much of the information they are looking for is posted publicly by social network users.

Regardless of whether you have delinquent tax issues, it still pays to be cautious when putting your personal information out into Cyberspace. Burglars and even stalkers are now using social networking sites to find their victims. Many people use Twitter to tell all their followers what they are doing, and where they are at every moment of the day, giving thieves all the information they need to decide whom to rob and when to rob them.

Here are a few precautions to keep in mind when using social media:

- Mark your privacy settings so that only your actual friends, not even friends of friends, can view your profile and your personal information.
- Don't disclose your location, relocation information, holiday plans, income, job status, salary, or bonuses.
- Don't boast about your income, personal assets, or expensive vacations.
- Use caution when posting photos online that reveal your location, automobile, or home interior.

In short, guard your personal information just as you lock the doors to your home.

Understanding Sustainable Competitive Advantage

by Jeff Plank

Knowing your company's Sustainable Competitive Advantage (SCA) is critical, as it is used as a filter for all the issues that an organization faces. It is also used as a method to allocate resources such as time and money to the issues that will allow the organization to win in the market place. It focuses on two important attributes:

1. Key success factors that would be considered of high value by your customer.
2. The ability to beat your competitors NOW.

In marketing terms, a SCA is an advantage that one firm has relative to competing firms. To truly be effective the advantage must be:

- Sustainable
- Hard to copy
- Unique
- Superior to the competition
- Applicable to multiple situations

Determining the SCA for any organization requires an understanding of the customer's needs and preferences. A competitive advantage arises out of activities which provide high value to the customer and a strong ability to beat competitors. Examples of SCA include factors such as quick turnaround time, high product quality, low cost production techniques, patents and copyrights, government protected extensive contracts and a good reputation.

At HLB Gross Collins, P.C. we walk clients through an 8 step process for determining their SCA that includes defining key success factors and rating these factors based on the value to the customer, as well as developing action plans to improve their current ability to beat their competitors. Contact HLBGC's Manager of Consulting Services, Jeff Plank, if you need assistance in determining your SCA.

New Tax Credits

Governor Sonny Purdue signed House Bill 439 which may allow taxpayers additional opportunities for savings. Key changes were made regarding the following:

- Job Tax Credit
- Retraining Tax Credit
- Port Activity Credit
- Investment Activity Credit
- R&D Tax Credit

HLB Gross Collins, P.C. can help you determine if these changes apply to you and where there may be potential savings. For additional information, contact your HLB Gross Collins, P.C. representative.

Strictly Personal



New Addition to the HLBGC Family

A warm welcome to Michael Shelton. Michael was an intern for the firm during the 2008 tax season and did such a great job that we couldn't let him get away.

Michael was born in Atlanta and resided there until he attended Florida State University where he earned his degree in finance and accounting. He later attended Kennesaw State University where he earned a Master of Accounting degree.

Michael is engaged and enjoys watching and participating in sports. He plays golf, basketball and flag football.

New Communication Tools

Check us out on [Twitter](#), [Blogger](#), [Facebook](#) & [LinkedIn](#)

HLB Gross Collins, P.C, is pleased to announce that we are using new web assets to efficiently provide timely information, articles, tax tips and more. You can now find information on our sites including Blogger, Twitter, Facebook & LinkedIn. All information provided on these sites is intended for general informational purposes only.

To view these pages, go to our website at www.hlbgrosscollins.com where you will see clickable icons for each of the above-mentioned web locations. You can also subscribe to our RSS feed to receive content updates.

Family Additions

Congratulations to **Mark Chase** and his wife, Shellee, on the birth of their first child. Mark Mason Chase III, was born June 17th. He weighed 7lbs 7 oz and was 20" long. The new trio is doing great and the parents are getting used to life with little sleep.

The stork also paid a visit to **Daniel McVicker** and his wife, Julia. Christine Ansley McVicker was born July 12th, weighed 7 lbs and was 19.5 inches long. This is the McVicker's first child and all are doing great.

Congratulations to both families!



Mark Mason Chase, III



Christine Ansley McVicker

Congratulations to Iliana Murtova who recently earned the CPA designation.

HLB Gross Collins, P.C. Continues Commitment to "Going Green" Phase-Out of Printed Newsletter

HLB Gross Collins, P.C. is dedicated to environmentally friendly practices. When we moved into our new office space, we completed our goal of becoming a paperless office by omitting a paper file room from our new facility and using technology to maintain and manage all documents electronically.

In keeping with the goal of minimizing energy and natural resource usage, we will be phasing out our printed newsletter over the next year and going exclusively to an e-newsletter. In order to do this effectively, we are working on updating our email address database. Please take a minute to fill out the attached, postage paid card so that we can continue to send you the electronic version of our newsletter.

This newsletter provides business, financial planning and tax information to clients and friends of our firm. None of this general information should be acted on without first determining its application to your specific situation. For more information, call the author, Pauline Reynolds or Richard Taylor.

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