

More Paperless Changes

For most filers, no more tax deposits by paper coupon (Form 8109B) will be allowed after December 31, 2010. The Electronic Federal Tax Payment System (EFTPS), which is a free service, must be used. This change is proposed as of now, but IRS expects it to become law for 2011.

WHAT IS GOOD ABOUT THIS?

All federal taxes can be paid using EFTPS which uses the highest level of security available online. You can make payments via the website, a voice response system, or special channels designed for tax professionals, payroll services, and financial institutions. Deposits can be made online with a computer or by telephone 24 hours a day, 7 days a week. The process should significantly reduce payment-related errors that could result in a penalty. Taxpayers may schedule dates to make payments even when they are out of town when a payment is due.

EFTPS business users can schedule payments up to 120 days in advance of the desired payment date.

IS THERE A DOWNSIDE?

Once this change takes effect, your business will be required to make deposits electronically and may be charged a 10% penalty for each non-electronic deposit. Exception: small businesses with a federal tax liability of less than \$2,500 per quarter still have the option of paper filing. To determine whether a check-with-return option is available to you, you can call the IRS at 1-800-830-5215 or check with us.

WATCH FOR THIS!

EFTPS has pre-enrolled businesses in advance of the proposed January 1, 2011 changeover date. You should receive a letter with your PIN and how to activate your enrollment.

continued on page 4

RETIREMENT PLAN REMINDERS:

Compensation Limit: \$245,000
401(k) Limit: \$16,500
Catch-up: \$5,500
(age 50 or older)

Annual Additions Limit: Limited to the lesser of \$49,000 or 100% of the participant's compensation.

Forfeitures: Whether your plan reallocates forfeitures, uses them to reduce employer contributions, or applies them toward plan expenses, there should be no unallocated forfeitures remaining at year end. Check your document on how forfeitures are used in your plan.

Fidelity Bond: The bond must cover at least 10% of the plan's assets, minimum of \$1,000 and maximum of \$500,000.

Safe Harbor 401(k) Plan Notices: Should be distributed by December 1st each year.

70 ½ Required Minimum Distributions: You may have waived the 2009 RMD but 2010 must be withdrawn by December 31, 2010.

Plan Amendment: The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) permitted defined contribution plans to eliminate the required minimum distributions (RMD) payments for 2009. If a plan sponsor chose to change its normal procedure for 2009, the plan must be amended to reflect that procedure by the last day of the 2011 plan year.

Roth Conversion - Now or Later?

Changes in 2010 have allowed anyone to convert a regular IRA to a Roth IRA regardless of level of income. The general Roth rules do not permit regular contributions to a Roth IRA if one's AGI exceeds certain limits - \$176,000 for joint returns and \$120,000 for single returns. Beginning in 2010, the income limits were removed for the act of conversion. The conversion from a regular IRA to a Roth IRA is a taxable event. The amount is taxed at your ordinary income tax rate in the year of conversion. However, once converted to the Roth and held for at least five years, all withdrawals are tax free, including the earnings in the account.

WHY CONVERT? Some good reasons to convert would be - a low tax rate year, a very young person with a long time to retirement age, an estate planning tool to push the funds tax free to heirs, non-deductible IRA accounts and likely several others. This new law is not just for 2010 so you can consider doing this in 2011 or future years.

WHY MAY IT BE BENEFICIAL TO DO IT IN 2010? Only for 2010, one is given an option to defer the taxation of the conversion to 2011 and 2012. Since the tax rate structure is to be extended, the option is more attractive.

BB
RECOMMENDS

IF YOU ARE INTERESTED IN A ROTH CONVERSION FOR 2010 OR LATER, PLEASE CALL BEV NICHOLS OR ELLEN YELLIN IN METAIRIE TO DISCUSS WHETHER A CONVERSION IS RIGHT FOR YOU.

Bourgeois Bennett Employee Services Division



Seated L to R: Ellen Yellin, Bev Nichols
Standing L to R: Marion Schroder, Debi Lajaunie

BEV NICHOLS is Director of Employee Benefits Services. Admitted to the membership in 1981, she has extensive experience with the accounting and income tax issues of individuals, partnerships and professional corporations. An area of expertise is deferred compensation and employee benefit plans. *Money Magazine* has selected Bev as one of the outstanding tax advisors in the country.

ELLEN YELLIN is a Tax and Employee Benefits Director. She specializes in working with clients from the retail and wholesale industries as well as medical and legal professions. She advises clients on tax, retirement planning and employee benefit planning.

DEBI LAJAUNIE is a Manager in the Pension Department. With over 20 years experience, her specialization is Employee Pension and Welfare Benefit Plans. She provides administration and consulting services to a broad range of plan complexity and client industries and professional firms.

MARION SCHRODER is a Pension Specialist. She has over 11 years of employee benefit experience and is active in the pension community.