Winter, Kloman, Moter & Repp, S.C.
CPAs SUPPORTING YOUR SUCCESS

UPDATE

Volume 35 Number 1 March, 2010

Be Aware - Consumer Alert

The IRS does not send taxpayers unsolicited e-mails about their tax accounts, tax situations or personal tax issues. If you receive such an e-mail, it's a scam.

IRS impersonation schemes flourish particularly during filing season, as well as throughout the year. These schemes may take place via phone, fax, Internet sites, social networking sites and particularly e-mail.

Many impersonations are identity theft scams that try to trick victims into revealing personal and financial information that can be used to access their financial accounts. Some e-mail scams contain attachments or links that, when clicked, download malicious code (virus) that infects your computer or direct you to a bogus form or site posing as a genuine IRS form or Web site.

Some impersonations may be commercial Internet sites that consumers unknowingly visit, thinking they are accessing the genuine IRS Web site, IRS.gov. However, such sites have no connection to the IRS.

Haiti Relief Donations Qualify for 2009 Tax Deduction

People who give to charities providing earthquake relief in Haiti can claim these donations on the tax return they are completing for 2009. Taxpayers who itemize deductions on their tax return qualify for this special tax relief provision, enacted January 22, 2010. Only cash contributions made to these charities after January 11, 2010, and before March 1, 2010, are eligible. This includes contributions made by text message, check, credit card or debit card.

The new law only applies to cash (as opposed to property) contributions. The contributions must be made specifically for the relief of victims in areas affected by the January 12, 2010 earthquake in Haiti. Taxpayers have the option of deducting these contributions on either their 2009 or 2010 returns, but not both.

Taxpayers should be sure their contributions go to qualified charities. Most organizations eligible to receive tax-deductible donations are listed in a searchable online database available on IRS.gov under *"Search for Charities."* Some organizations, such as churches or governments, may be qualified even though they are not listed on IRS.gov. Donors can find out more about organizations helping Haitian earthquake victims from agencies such as USAID.

Federal law requires that taxpayers keep a record of any deductible donations they make. For donations by text message, a telephone bill will meet the recordkeeping requirement if it shows the name of the organization receiving the donation, the date of the contribution and the amount of the contribution. For cash contributions made by other means, be sure to keep a bank record, such as a cancelled check, or a receipt from the charity showing the name of the charity, the date of the contribution and the amount of the contribution.

Contact us at: 235 N. Executive Drive, Suite 160 / Brookfield, WI 53005-6064 (262) 797-9050

1040 Oconomowoc Parkway/ Oconomowoc, WI 53066-4621 (262) 567-6540

302 N. Third Street / Watertown, WI 53094-3723 (920) 261-6767

COBRA Premium Assistance for Individuals Terminated from Employment in 2010

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended on December 19, 2009, by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) provides for premium reductions for health benefits under COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. To qualify, individuals must experience a COBRA qualifying event that is the involuntary termination of a covered employee's employment. The involuntary termination must have occurred during the period that began September 1, 2008 and ended on February 28, 2010.

Changes Regarding COBRA Continuation Coverage Under ARRA, as Amended
The amendment extended the COBRA premium reduction eligibility period for two months until February 28, 2010 and increased the maximum period for receiving the subsidy for an additional six months (from nine to 15 months).

Individuals who have reached the end of the original premium reduction period are in a "transition period" giving them additional time to pay extension-related reduced premiums. An individual's transition period is the period that begins immediately after the end of the maximum number of months (generally nine) of premium reduction available under ARRA prior to its amendment. An individual is in a transition period only if the premium reduction provisions would continue to apply due to the extension from nine to 15 months and they otherwise remain eligible for the premium reduction. These individuals must be provided a notice of the extension within 60 days of the first day of their transition period. An individual's transition period may include multiple periods of coverage.

Here is an example:
Martin was terminated from his position on January 31, 2009. At his time of termination Martin was eligible to receive COBRA coverage on a calendar month basis. He would have received these benefits for a nine month period, from February 1, 2009 through October 31, 2009. After that, Martin would have to pay the full premium for coverage or opt to drop coverage. Martin is considered to be in the transition period because following the 2010 DOD Act his period of available subsidized COBRA coverage would last for a 15 month period from February 1, 2009 to April 30, 2010.

Individuals who lost their financial support and paid the full 100 percent premium for December 2009 should contact their plan administrator or employer sponsoring the plan to discuss a credit for future months of coverage or a reimbursement of the overpayment.

Notice Requirements
Plans subject to the Federal COBRA provisions must provide a *General Notice* to all qualified beneficiaries, not just covered employees, regardless of the type of qualifying event they experience, and who have not yet been provided an election notice. Individuals who experience any qualifying event after December 19, 2009 must get the updated *General Notice*

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Economic Development Tax Credit

The Economic Development Tax Credit replaces five former Wisconsin tax credit programs. The new tax credit program eliminates all former zone boundaries, as well as creating new ways in which existing Wisconsin businesses or businesses relocating to Wisconsin can earn tax credits.

The tax credits, which are nonrefundable and nontransferable, must be applied against a certified business's Wisconsin income tax liability. In the case of an S-Corporation, LLC or other pass-through entity, tax credits flow through to the owners in the same way as the income. The tax credits have a 15-year carry forward.

Eligible Activities

• *Job Creation* – Tax credits can be earned through the creation of new, full-time positions that pay at least $10.88 per hour. Businesses must create the jobs within three years and maintain them for at least two additional years. Tax credits will be released on an annual basis, in direct proportion to the number of jobs created.

• *Capital Investment* – Tax credits may be earned through capital investment for property and equipment. Expenditures for working capital, employment costs, moving costs, intellectual property and unrelated fees and permits are not eligible. Businesses whose primary activity includes such things as retail, commercial development, recreation, entertainment or direct healthcare are not eligible to earn tax credits through capital investment.

• *Employee Training* – Tax credits may be earned through many types of training provided to existing and new employees in full-time positions. Training must be related to a specific project. Eligible training costs include trainee wages, trainer costs and trainer materials.

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COBRA Premium Assistance - Continued from page 2

within the normal timeframes for providing a COBRA election notice. The updated model *General Notice* includes information on the premium reduction as well as information required in a COBRA election notice.

Switching Benefit Options: If an employer offers additional coverage options to active employees, the employer may (but is not required to) allow assistance eligible individuals to switch the coverage options they had when they became eligible for COBRA. To retain eligibility for the ARRA premium reduction, the different coverage must have the same or lower premiums as the individual's original coverage. The different coverage cannot be coverage that provides only dental, vision, a health flexible spending account, or coverage for treatment that is furnished in an on-site facility maintained by the employer.

Income limits: If an individual's modified adjusted gross income for the tax year in which the premium assistance is received exceeds $145,000 (or $290,000 for joint filers), then the amount of the premium reduction during the tax year must be repaid. For taxpayers with adjusted gross income between $125,000 and $145,000 (or $250,000 and $290,000 for joint filers), the amount of the premium to be repaid will increase. Individuals may permanently waive the right to premium reduction but may not later obtain the premium reduction if their adjusted gross incomes end up below the limits.

If you have any questions on these changes to COBRA assistance, give us a call.

Source: US Department of Labor

Client Profile

Triad Construction, Inc.

When you walk through the doors at Triad Construction, Inc. you can't help but notice all the plaques and awards that decorate the walls. Awards that you would see on the walls of companies that been around for years, even decades. But for Triad it has taken only five years to establish themselves in the construction industry and become highly regarded for their quality work and perseverance.

In March of 2005, Werner Holentunder, Michael Long and Mike Dassow formed Triad Construction, Inc., a commercial construction company based in West Allis. They started the business in the basement of a building located at 1828 S. 76th Street.

**Werner Holentunder, President
Triad Construction, Inc.**

Prior to opening the doors of Triad, Werner and Michael were working together at another firm. The two had talked about opening their own business and finally decided the time was right. Mike Dassow also worked in the industry and had worked with Werner in the past. The three knew that their combined experience and comprehensive knowledge would give them a competitive edge in the industry.

Each of these three men has not only worked in construction for years, but for their entire careers. Among the three of them they have over 80 years of experience in the industry and each one has worked as a tradesman in the profession, working their way up through the ranks. It is this hands-on experience that has been the foundation of Triad Construction's success and continuous growth.

"All three of us have worked in every aspect of the business, from the position of carpenter, up through project manager," said Holentunder. "We knew from the beginning that we would make a great team."

And that they have. After only five years in business Triad is thriving and has grown into a heavy hitter within the construction industry. Their revenue has continually grown over the years from $2.5 million in 2005 to $15 million in 2009.

Triad's services include everything from elaborate new construction, remodels and additions to small scale renovations and tenant build outs. They have worked with a broad base of industries and their list of satisfied customers is also quite substantial. Some of the clients they have worked with include Time Warner, General Mitchell International Airport, The Cheesecake Factory, Carroll University and Cannon & Dunphy.

One of Triad's most challenging projects was the recent renovation of historical Hart Park in Wauwatosa. This $4.2 million dollar project was something new for Triad. The renovation included the expansion of the facility's tennis courts, rebuilding the running track, constructing a new press box and building a state-of-the-art multi-sport athletic field.

"This type of project was something new to us and we were excited to take it on," said Holentunder. "We were under very strict deadlines for this project and were confident that through the expertise and experience of our team, we could complete this project, and complete it well."

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Triad Construction - Continued from page 4

Not only has Triad grown in revenue, but also in size. In October 2009, Triad expanded their office and moved to their current location at 2077 South 116th Street in West Allis. They employ 16 office staff members and up to 40 professionals in the field.

So what's their secret? How has Triad Construction managed to thrive, even during these tough economic times?

Werner believes much of their success stems from their commitment to quality and their clients. "We believe in quality versus commodity," he said. "Our clients know what they want and that we can give it to them at the level of quality they expect."

Holentunder and his partners look to the future with optimism. "We've had some very successful years," he said. "And we are looking forward to keeping the momentum going and to continued growth."

Triad Construction, Inc.
2077 South 116th Street
West Allis
414.258.7111

Some of Triad Construction's Awards and Recognitions

- **Future 50 Award in 2008 and 2009 from BizTimes Milwaukee**
- **Named the Fastest Growing Firm in 2009 from the Business Journal of Milwaukee**
- **Top Projects Award for renovations and restoration to Voorhees Hall at Carroll University in 2008 from Wisconsin Builder**
- **Named Up and Coming Firm of the Year in 2009 by Wisconsin Builder**

WKMR Firm News

Paul Senger, CPA/ABV, CVA and Shareholder at Winter, Kloman, Moter & Repp, S.C., recently spoke to the Waukesha Chamber of Commerce Southside Business Council. Paul presented information on Small Business Tax Tips to the group at their meeting on January 15, 2010.

Go Red for Women!

Winter, Kloman, Moter & Repp, S.C., participated in the annual "Go Red for Women" movement on February 5, 2010. Employees wore red to work and made donations to raise funds for this American Heart Association sponsored event. The mission of this event is to raise awareness of heart disease and stroke and to build healthier lives free of these diseases.

Pictured from left to right:
Susan Wenninger, Diane Steinbach, Ginny Hempler, Nancy Jones, Becky Soley, Renee Bardenwerper, Jim Holsen, Jenny Block, Mike Toennies

Pictured from left to right
Ashley Andreshak, Lynn Braden, Larry Gebhard, Ashley Childers, Paul Senger, Rhonda Dick, Liz Kaiser, Stephanie Shepard, Pam Jones, Lynda Thompson

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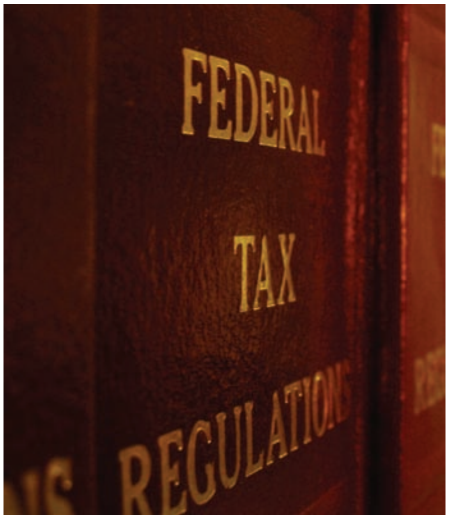
Federal Estate Tax and Generation-Skipping Tax Changes

In 2001 Congress passed The Economic Growth and Tax Relief Reconciliation Act (EGTRRA). This piece of legislation made changes to a number of different areas of the Internal Revenue Code, including changes to the Federal Estate Tax and Generation-Skipping Tax exemptions and rates.



Federal Estate Tax is defined as *"A tax imposed on the transfer of the 'taxable estate' of a deceased person, whether the transfer is made via a last Will or according to the state laws of intestacy."* The EGTRRA gradually decreased the Federal Estate Tax over an eight year period, from 2002 to 2009. During this time the tax rate decreased in increments from 55% in 2002 to 45% by 2009. Exemption limits increased over this same period from $700,000 in 2002 to $3,500,000 by 2009.

Generation-Skipping Tax
The Generation-Skipping Tax (GST) was designed to keep families from avoiding estate tax. The tax is imposed on money or gifts given to grandchildren or great-grandchildren. As with the Federal Estate Tax, EGTRRA reduced the GST rate and increased tax exemption amounts from the 2002 through 2009 period.

Federal Estate Tax & GST Tax Changes in 2010
On January 1, 2010, EGTRRA repealed both Federal Estate and Generation-Skipping Taxes completely (gift tax has not been repealed.). However, this provision is only temporary and the tax is scheduled to "sunset" or be reinstated in 2011 unless further legislation is made. Tax rates for both the Federal Estate Tax and GST will be reinstated on January 1, 2011 to a 55% tax rate, and tax exemption amounts will drop back to $1,000,000 for Federal Estate Tax and to an estimated $1,300,000 for GST depending on the level of inflation.

Additional Complex Changes
Because of the repeal of the estate tax, on January 1, 2010, complicated new "carry-over basis" provisions went into effect. Prior to EGTRRA any property inherited by an heir from a decedent, received a new basis for tax purposes. The new basis became the fair market value of the property at the time of the decedent's death. This is commonly called the "stepped-up basis." This methodology was beneficial to those heirs wishing to sell inherited property that had increased in value during the decedent's ownership.

However, as of January 1, 2010, EGTRRA has changed these rules. Now any property inherited will retain the original tax basis that the property held at the time of the decedent's passing, referred to as the "carry-over basis." This new provision will have negative implications for those wishing to sell inherited property.

EGTRRA does, however, allow for an increase of up to $1.3 million in the basis of certain assets of the decedent and allows for another $3 million increase in the basis of property passed to the decedent's surviving spouse.
If you have any questions on these new provisions, please give us a call.

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Economic Development Tax Credit - continued from page 3

• *Corporate Headquarters* – Tax credits may be earned by businesses locating global, national divisional or regional headquarter operations to Wisconsin or by businesses whose existing Wisconsin headquarters are at risk of leaving the State.

Allocation of Tax Credits

The Wisconsin Department of Commerce will certify applicants that have met the eligibility criteria. In determining the allocation of tax credits, the Department will consider the following:

1. Whether the project will serve a public purpose;
2. Whether the project might not occur without the allocation of tax credits;
3. The extent to which the project will be financed with funds not provided by the State of Wisconsin;
4. Whether the project will displace workers in Wisconsin;
5. The extent to which the project will retain or increase employment in Wisconsin;
6. The extent to which the project will contribute to the economic growth of Wisconsin and to the well-being of Wisconsin residents;
7. Whether the project will be located in an economically distressed area;
8. Whether the project will be located in a rural area;
9. The extent to which the project will increase the geographic diversity of available tax benefits throughout Wisconsin;
10. The financial soundness of the business;
11. The ability of the business to utilize Wisconsin income tax credits; and,
12. Any previous financial assistance that the business received from the Wisconsin Department of Commerce.

Application materials can be obtained by contacting the Department of Commerce's Area Development Managers.

For additional information about the Economic Development Tax Credit Program, contact WKMR today.

Source: Wisconsin Department of Commerce

Bill for Roth IRA Conversions Approved

On February 25, 2010, the Wisconsin Assembly passed a bill allowing people at all income levels to convert a traditional IRA to a Roth IRA, bringing the State's regulations in line with federal regulations.

The bill was approved by the State Senate in mid-February and as of March 1, 2010, the bill is awaiting Governor Jim Doyle's signature. If the bill is not enacted, Wisconsin will be the only state with restrictions on Roth IRA conversions.

If you have any questions on traditional IRA to Roth IRA conversions, give our office a call.

WKMR -
Doing Our Part to Go Green!

Attention *Update* print subscribers, the *Update* Newsletter is also available electronically via e-mail.

If you are interested in receiving the *Update* electronically instead of a hard copy via mail, please e-mail Michelle Meier at MichelleM@wkmr.com, or call Michelle at 262-797-9050.

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