

MAY NEWSLETTER

Dear Clients and Friends,

The peak of tax season is over and we want to thank all our clients for coming in, dropping by, calling, e-mailing and allowing us to be of service to you. We sincerely appreciate your continuing support in this rough economy. It was wonderful to hear from everyone. We truly believe our clients are the best clients anywhere!

Our May Tax Report has come in and copies are available in our office, or you can read and review it on our website, www.jwtcpa.com. For small business owners, there is detailed advice on the benefits of hiring your kids for the summer, and practical advice for reviewing, maintaining and fixing your company retirement plan to avoid common mistakes in compliance.

Another important article, "*Hobby or Business? Why the IRS Cares*", analyzes the IRS "hobby loss" rules and the self employed business guidelines. Hobby expenses are deductible only to the extent of your income from the hobby. Expenses are claimed as miscellaneous itemized deductions, allowable only up to 2% of your adjusted gross income. If the activity qualifies as a trade or business, ordinary and required expenses are deductible even if they are greater than your income from the business. However the IRS may question a business loss occurring more often than two years in five. You do not pay self employment tax on income from a hobby.

The *2010 Tax Relief Act* makes now the perfect time to gift or donate estate funds to save taxes. Currently there is a \$5 million gift and tax exemption available until 2013, after which the exemption is reduced to \$1 million, and the tax percentage will increase.

Please take time to check out these informative articles in the May Tax Report. We will be glad to help you with tax planning, estate planning, and self employment issues. Now is the perfect time to implement tax saving strategies. And if you haven't got 2010 taxes put to rest yet, be sure to send us your information so that we can completely prepare the best possible tax return for you.

Thank you for being our clients, and we hope you all have a beautiful spring. Get outside and enjoy yourselves.

John W. Trudell, CPA