



DONOVAN SULLIVAN & RYAN

August 2010

A Newsletter for our Clients and Friends



FROM THE
PARTNERS
PEN....

Dear Clients & Friends,

Hope you and your families are relaxing and enjoying the summer.

During these quiet summer months, our staff has been busy with training courses to stay current with any tax and accounting updates. Keeping up to date allows us to continue to provide you with the best service possible.

Our regular office hours will resume after Labor Day. We will be open on Fridays again beginning on September 10th if you need to reach us.

It's never too early to start tax planning. Please give me a call, especially if you know your situation is going to change.

Enjoy the rest of your summer!

Sincerely,

Mike Ryan

Summertime Child Care Expenses May Qualify for a Tax Credit



Did you know that your summer day care expenses may qualify for an income tax credit? Many parents who work or are looking for work must arrange for care of their children under 13 years of age during the school vacation. Those expenses may help you get a credit on next year's tax return.

Here are a few facts regarding the tax credit:

- ◆ The cost of day camp may count as an expense towards the child and dependent care credit if you are married filing jointly and both spouses are employed.
- ◆ Expenses for overnight camps do not qualify.
- ◆ If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify for the credit.
- ◆ The credit is generally 20% to 35% of your qualifying expenses, depending upon your income.
- ◆ You may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.
- ◆ The Child and Dependent Care Credit is available for child care expenses incurred at any time throughout the year.

MASSACHUSETTS SALES TAX HOLIDAY WEEKEND OF AUGUST 14 - 15

Massachusetts consumers will get a two day break from the state's 6.25% sales tax during the weekend of August 14-15. Retailers are hoping it will spur consumer spending and help out struggling businesses across the state. The sales tax holiday applies to retail sales excluding any single item priced higher than \$2,500. Boats, cars, meals and tobacco products are excluded, as are telecommunication services and gas, steam and electricity utilities. This will be the first year that liquor is included, because the state imposed a sales tax on liquor one year ago.

"More than accountants...business advisors"





MANY TAXES STILL UP IN THE AIR

2010 is already half over and there are many tax issues that still need to be addressed. If lawmakers don't act, estate taxes will rise, the alternative minimum tax will hit millions more taxpayers, and many useful benefits will expire. Tax rates also will rise for all, and for investors the top rate on dividends will jump to nearly 40% from 15%.

• Estate tax

The now-lapsed estate tax will return in January 2011, with a 55% top rate and a \$1 million exemption per individual, unless lawmakers act. It will hit about 44,000 estates which is eight times as many as the 2009 version of the tax.

The confusion over this year's estate tax also will continue. Almost no one expected it to lapse in 2010 as called for in a 2001 budget deal. But it happened, and perhaps 25,000 taxpayers with affected estates have died this year, including at least four billionaires. Under this year's rules, estates of the very rich benefit. A perfect example is the recent passing of billionaire George Steinbrenner. It is estimated that his heirs will save a whopping \$600 million in taxes due to the fact that 2010 estate tax was left wide open for tax-free deaths.



• Bush tax cuts

Broad-based tax cuts enacted in 2001 and 2003 expire at the end of this year. The current six rate brackets of 10%, 15%, 25%, 28%, 33% and 35% will be replaced by five new brackets with the higher rates of 15%, 28%, 31%, 36% and 39.6%.

• Alternative minimum tax

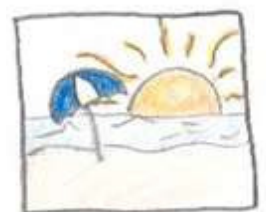
If Congress doesn't act, this tax will hit 27 million filers for the 2010 tax year instead of 4 million. Many will be from high-tax states, because the AMT disallows deductions for state and local taxes. Many also might incur penalties because their withholding or estimated payments are too low.

• Extenders

If Congress doesn't act, many expired or expiring tax benefits will disappear, including ones for energy saving, land donations, IRA asset donations and teacher expenses, among others.



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