

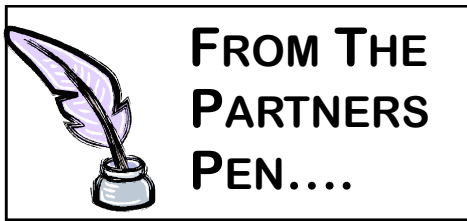


DONOVAN SULLIVAN & RYAN

November 2009

A Newsletter for our Clients and Friends

YEAR END REMINDERS



- Remember to maximize your 401K or Simple Plan before the last payroll check for 2009.
- Remember to include the value of taxable fringe benefits in the W-2 income of corporate shareholders. For S-Corporation shareholders the cost of health insurance paid by the corporation and for all employees the value of personal auto use of a corporate vehicle should be included in W-2 income. Shareholders are allowed to deduct the cost of health insurance on their individual tax returns. These fringe benefit amounts need to be reported to your payroll service before the last payroll of 2009.
- Fringe benefits paid by LLC's/Partnerships for health insurance and personal auto use of the LLC members/partners are treated as "guaranteed payments" and are deductible by the LLC/Partnership and taxable to the members/partners. The cost of their health insurance is deductible on their individual tax returns of the member/partner.

Dear Clients and Friends,

Please be sure to read our year end reminders and notify the person responsible for payroll to make the necessary adjustments before year end.

Now is the time to do your year end tax planning to avoid any tax underpayments and the resulting interest and penalties. Give me a call if you would like to review your tax situation.

It was great to see many of you at the MAIA Big Event. The winner of our raffle prize, a Best Buy Gift Card, was Donald J. Hills of the Risman Insurance Agency.

All of our staff are busy preparing for the upcoming tax season and attending seminars to learn about the latest changes.

Happy Turkey Day!

Sincerely,

Mike Ryan



If you have any questions do not hesitate to call our office.

AN UPDATE FROM THE IRS...

If you have taken out a purchase-money home mortgage over \$1 million, the interest on the first \$1 million of acquisition debt is deductible mortgage interest and interest on the next \$100,000 is deductible as home equity interest.



In the past, some IRS auditors had taken the position that if acquisition debt is more than \$1 million, none of the excess can qualify as home equity debt. The IRS National Office has deemed this to be incorrect and now homeowners can deduct the interest on \$1.1 million of their mortgages.

"More than accountants...business advisors"

DO YOU BARTER?

Bartering is the trading of one product or service for another. Usually there is no exchange of cash. Barter may take place on an informal one-on-one basis between individuals and businesses, or it can take place on a third party basis through a modern barter exchange company.

Bartering is the most ancient form of commerce. While our ancestors may have exchanged eggs for corn, today you can barter computer services for auto repair.

Another example of a one-on-one, non-barter exchange transaction is a plumber doing repair work for a dentist in exchange for dental services. The fair market value of the goods and services exchanged must be reported as income by both parties.

Here are a few things you should know about bartering:

- **Barter Exchange** - A barter exchange functions primarily as the organizer of a marketplace where members buy and sell products and services among themselves. Whether this activity operates out of a physical office or is internet based, a barter exchange is generally required to issue Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, annually to their clients or members and to the IRS.

- **Barter Income** - Barter dollars or trade dollars are identical to real dollars for tax reporting. If you conduct any direct barter - barter for another's products or services - you will have to report the fair market value of the products or services you received on your tax return.

- **Taxes** - Income from bartering is taxable in the year it is performed. You may be subject to liabilities for income tax, self-employment tax, employment tax, or excise tax. Your barter activities may result in ordinary business income, capital gains or capital losses, or you may have a nondeductible personal loss.

- **Reporting** - The rules for reporting barter transactions may vary depending on which form of bartering takes place. Generally, you report this type of business income on Form 1040, Schedule C Profit or Loss from Business, or other business returns such as Form 1065 for Partnerships, Form 1120 for Corporations, or Form 1120-S for Small Business Corporations.

For more information type "Barter" in the search box on the IRS.gov homepage.

Fun Turkey Facts



Happy Turkey Day!

- The average weight of a turkey purchased at Thanksgiving is 15 pounds.
- The heaviest turkey ever raised was 86 pounds, about the size of a large dog.
- A 15 pound turkey usually has about 70 percent white meat and 30 percent dark meat.
- Turkey has more protein than chicken or beef.
- Turkeys will have 3,500 feathers at maturity.
- Male turkeys gobble. Hens do not. They make a clucking noise.
- Commercially raised turkeys cannot fly.
- Turkeys have heart attacks. The U.S. Air Force was doing test runs and breaking the sound barrier. Nearby turkeys dropped dead with heart attacks.
- A large group of turkeys is called a flock.
- Turkeys have poor night vision.
- It takes 75-80 pounds of feed to raise a 30 pound tom turkey.
- A 16-week-old turkey is called a fryer. A five to seven month old turkey is called a young roaster.

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