



THE BARROWS SOLLENBERGER GROUP, PC

Helping our clients acquire, grow & preserve family wealth in a tax efficient manner.

Fall 2010

Our Mission

Help our clients make and keep their money.

Ensure our clients achieve their financial goals.

Serve our clients in an efficient and timely manner.

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A Message from the Partners -

Are YOU Taking Advantage of the 2010 HIRE Act Incentives?

Designed to help put unemployed Americans back to work, the recent bill could greatly affect hiring decisions for many companies throughout the rest of the year. What do employers need to know to take advantage of the benefits provided by the HIRE Act?

The HIRE Act includes \$13 billion in tax breaks for private sector businesses and creates an incentive for companies to hire workers who have been unemployed for more than 60 days. The incentives include payroll tax forgiveness on qualified hires as well as incentives to retain those workers for at least 52 weeks. Qualified hires are eligible for incentives from the date of hire through December 31, 2010.

What are the hiring incentives? Under the recent bill, if an employer hires a worker who has been unemployed for more than 60 days, the *employer's share* of the 6.2% social security tax is forgiven for that employee from the date of hire through December 31, 2010. The employer is still required to withhold the employee's share of social security tax, so the employee's future benefits are not affected.

Who are qualified workers? A qualified worker must have begun employment *after February 3, 2010*. They must also have been unemployed for at least 60 days prior to the date of hire and be able to provide a statement certifying they meet these eligibility requirements. A qualified hire cannot replace a current employee unless that employee left the company of their own accord. And, since the amount of tax forgiveness is based on 6.2% of wages paid, there are no minimum or maximum hours worked requirements. Also, a qualified worker cannot be related to the employer or own more than 50% percent of the business.

What are the retention incentives? Employers who retain qualified workers for at least 52 weeks are eligible to receive a tax credit for each of those workers in the amount of \$1000 or 6.2% percent of wages paid to the qualified worker during the 52 consecutive weeks of employment, whichever is less. And to be eligible for tax incentives, a qualified worker must also be paid 80% of their first 26 weeks' wages during the last 26 weeks of the 52 consecutive week period.

Employers have been presented with a great opportunity to rebuild their workforce in the wake of the recession without some of the financial burden.

HEALTH CARE LAW AND W-2 FORMS

Q: Does the health care law require workers to pay income tax on the value of employer-provided health insurance?

A: No. The value will appear on employees' W-2 forms for information purposes, but will NOT be considered taxable income.



It's true that the value of employer-paid health insurance will be added as an information item on W-2 forms starting with the tax year 2011. But contrary to widely circulating e-mails, it definitely will **NOT** be considered taxable income.

Since the health care law actually continues the tax exemption on employer-sponsored insurance, why include a requirement that employers report the value of health insurance on the W-2? There are several reasons.

The new health insurance law will eventually penalize people who are not insured with a tax penalty. The W-2 reporting requirement will help the IRS verify that people have coverage, both for themselves and their dependents.

There's also a tax on the so-called "Cadillac" or "gold-plated" health insurance policies, which are policies that cost significantly more than the national average. The W-2 reporting will allow the IRS to more easily collect the tax. The Cadillac tax does not go into effect until 2018.

Don't Lose Perspective!

Ups and downs in the financial markets are inevitable. Investors who focus on what they *can* control will be better prepared to weather market cycles.

Market cycles come and go. What's important is to stay the course and keep a long-term perspective.

- **Stay invested.** Investors may act on emotions. By getting out of the market when they see it declining and then get back in when it rebounds. *Maintaining a long-term perspective means spending time in the market, not attempting to time it.*
- **Investment for income.** Whether stock prices are rising or falling, companies can continue to pay dividends. Growth-and-income and equity-income funds typically seek to produce a steady flow of dividend income.
- **Financial planning.** Call **Denise Barrows** at 717-267-3572 to review your portfolio position and ensure that you're **on target to meet your goals.**



Charitable Giving Opportunities

For YOU and YOUR Family. For YOUR Community. For Future Generations.

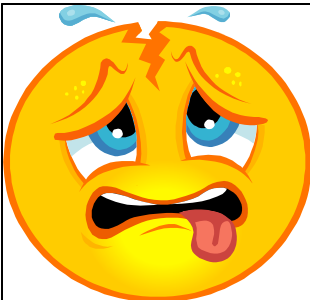
When people want to make a charitable gift, the most common option is to make a donation to a public charity. These organizations serve education, the arts, health services and a broad range of causes.

Philanthropy can serve many purposes. You can strengthen your community, preserve cultural resources, assist the disadvantaged—and maximize the tax benefits that charitable donations can provide.

Individuals, families and businesses who want to establish and fulfill a long-term charitable giving program that can provide lasting impact have two basic alternatives:

- **Private foundations** are independent charities established, controlled and maintained over time by a donor.
- **Community foundations** are public charities built by thousands of individuals, families and businesses who care about their communities.

Before making any charitable gift, **consult with Denise Barrows** about developing a charitable giving plan that is appropriate for you. She can help you achieve the maximum benefit from a charitable gift. You will have the satisfaction of knowing that you are helping to make the world a better place.



Picture this....it's a chilly morning in January 2012. You head out to your local office supply store to stock up on some essentials for your business—printer cartridges, copy paper, post-it notes, and a 500 pack of 1099 forms.

What? What was that last item again? 1099's? Yes, we may need them in bulk.

IS A 1099 MIGRAINE AHEAD?

Beginning January 1, 2012, virtually all payments by a trade or business aggregating \$600 or more to any single vendor during any calendar year will have to be reported at the end of each calendar year to the vendor and to the IRS on Form 1099. Vendors include almost anyone a trade or business pays in the course of doing business, other than its employees who already receive W-2 forms.

Depending on any relief granted through yet-to-be published regulations, the new provisions will, as a practical matter, require businesses to track *all* payments made directly or through their employees, or owners. Presumably, they could even include repeated business meals at the same restaurant, office supplies and equipment, or inventory for resale.

Now is not too soon to start thinking about the massive increase in record-keeping that will be required. We encourage businesses that do not currently have systems and procedures in place, to consider what needs done to routinely obtain and record this data for each transaction. Trying to do so after the fact would be extremely challenging. Please **call Diane Sollenberger** to discuss appropriate modifications to your payment vouchers, expense recording software, or recommend software that can capture this information.

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Keep your 401(k) Plan on Track

- ✓ **Increase your contribution rate.** With investment values down and future stock market returns uncertain, you need to boost your savings to help increase the value of your 401(k) plan. Strive for total contributions from you and your employer of approximately 10%-15% of your salary.
- ✓ **Rebalance your investments.** You can't just select your investments once and then ignore your plan. Review your allocation annually to make sure it is aligned properly to your risk tolerance and time horizon.
- ✓ **Don't raid your 401(k) balance.** Your 401(k) plan should only be used for your retirement. Don't even think about borrowing from the plan for any other purpose. You don't want to get in the habit of using those funds for anything other than retirement.
- ✓ **Seek Guidance.** It is important to manage your 401(k) plan carefully to help maximize your future retirement income. If you're concerned about the long-term impact of the recent market declines, call Denise Barrows at 717-267-3572 for a review of your 401(k) plan.

Money Facts That Will Blow You Away!

Do you think you know a lot about money? See if any of the following facts are in any way surprising to you:

- ◆ If we could have any luxury in the world (and money didn't matter) more of us would choose to spend money on a butler and a maid than anything else.
- ◆ **90% of American who own pets buy them Christmas gifts.**
- ◆ There is about 405 *billion* dollars in circulation. Only 32 *million* of that amount is counterfeit. That means, the percentage of counterfeit money in America is .0079%. And, \$20 bills are more often counterfeited than \$100 bills.
- ◆ **A staggering 74% of us are influenced by how much we can win in a lottery as opposed to the odds of us winning.**
- ◆ The odds of winning a lottery jackpot are about 10 million to 1.
- ◆ **A person who drives 10 miles to buy a lottery ticket is 3 times more likely to be killed in a car accident while driving to buy the ticket...than...he is to win the jackpot.**
- ◆ Sunday newspaper coupon inserts are the second most read section of the paper, after the front page.
- ◆ **People tip more on sunny days than they do on dreary days.**
- ◆ Almost two out of three people have modified their financial behavior because of their fears.
- ◆ **63% of us decide NOT to buy a product advertised on the Internet because we think the shipping and handling charges add too much to the order.**
- ◆ When it comes to houses, more than anything else, people want a state-of-the-art kitchen.
- ◆ **If you get your money out of a Hitachi ATM machine in Japan, it will be laundered. They briefly press the bills between rollers at high enough temperatures to kill most bacteria.**