Newsletter

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Second estimated tax payment due June 15

June 15, 2010, is the due date for making your second installment of 2010 individual estimated tax. Your check to the United States Treasury should be accompanied by Form 1040-ES. June 15 is also the due date for calendar-year corporations to make their second quarter 2010 estimated tax payment.

Starting a business? Avoid these hiring mistakes

Challenges that merely annoy an established firm often capsize a start-up company. This is especially true in the area of staffing. When a big corporation makes a hiring mistake, the company suffers, but survives. Committed by a fledgling firm, the same mistake may spell disaster. After all, if your company employs only five people, one wrongly hired employee will make up a fifth of your work force. That person's incompetence or poor people skills can bludgeon the firm's bottom line.

Following are three of the most common hiring mistakes made by start-up companies. Avoid these blunders and you'll be well on your way to building a productive team.

- **Staffing the firm with friends and family.** While this strategy may work in some circumstances, hiring pals and relatives often spells trouble. For one thing, friends and family members often expect – even subconsciously – to be treated differently from other employees. Such a double standard, whether real or perceived, can hurt morale and productivity. As a general rule, hiring decisions should focus solely on the needs of the firm and applicant qualifications.
- **Trusting in a handshake.** Memories fade. Expectations fluctuate. As with other important aspects of your business, employee arrangements should be laid out in writing. This can be as simple as drafting employee offer letters that cover compensation, rights to intellectual property, and bonus arrangements. Employee handbooks are also a good way to spell out the responsibilities of the firm and its staff.
- **Bringing in a partner for the wrong reasons.** Sure, you might save money in the short term by selling a portion of your firm to a partner. But think long and hard about the downside risks. Do you really need to surrender a portion of your company – including control over important management decisions – to someone else? What will this partner contribute? Can you find other ways to fill gaps in your team? Remember, a bad partnership may end up in the business equivalent of divorce court. So choose wisely.

For assistance with any of the issues facing your start-up business, give us a call.

Getting married changes your tax situation

If wedding bells are in your future, your tax situation will be changing also. For starters, your tax filing status will change. You will have the choice of filing a joint return with your spouse or filing a separate return as a married person.

Filing a joint return usually gives you the bigger tax savings. Both spouses' income and deductions for the entire year will be combined onto one return. Any deductions that are subject to limitations will be determined based on the combined income of both spouses.

In some cases, filing a separate return may save you taxes. A spouse who has high medical expenses or miscellaneous itemized deductions and low income, for example, might be better off filing a separate return. However, you may not claim certain credits and deductions if you file separate returns. Generally, only if you file a joint return can you claim the child and dependent care credit, the earned income credit, or education credits. Filing separate returns could affect the taxability of your social security benefits and the deductibility of rental losses.

The tax law has been changed to eliminate some of the additional tax that married couples once paid (called the "marriage penalty"). However, once you marry, you should review your federal income tax withholding at work. Fill out a new Form W-4 and indicate that you are married.

Several other limitations may come into play once you get married. For example, your IRA contribution may not be deductible if your spouse is covered by a retirement plan at work and your income exceeds certain limits.

Newlyweds can be faced with a surprise tax bill on April 15 unless they do advance planning. For details or planning guidance, give us a call.

Taxes & summer jobs

Is your child looking for a job this summer? If so, you both may have questions about taxes. Here are three common concerns.

- **Is a tax return required?** The answer depends on several factors, including the total amount of income received. For instance, if wages are the only source of income, your child can generally earn up to $5,700 during 2010 before a federal tax return is necessary. However, unless your child can claim an exemption from withholding, a return may be required even when wages earned are lower than the filing requirement. That's because filing is the only way to claim a refund of overpaid taxes. In addition, self-employment income, tips, interest, dividends, and stock sales can affect the filing requirement.
- **Can my child open an IRA?** Anyone under age 70½ who has earned income can contribute to a traditional IRA. There's no age restriction for Roth accounts, though the amount of the contribution phases out at higher income levels (starting at $105,000 for single individuals in 2010). The maximum standard contribution for 2010 is $5,000.
- **Are there any tax breaks if my child works for me?** You can take a business tax deduction when you pay a reasonable wage for work your child performs in your business. If your business is a sole proprietorship or a partnership you and your spouse operate, and your child is under age 18, you don't have to pay social security, Medicare, or federal unemployment taxes. The child's wages are subject to income taxes.

If you have other questions about the tax implications of a summer job, give us a call.