



Spring 2010

Please keep the following dates in mind:

- **April 15, 2010** - Due date for most tax returns and full 2009 payment. Taxpayers may obtain a 6-month filing extension. Any amounts due after this date will accrue interest and penalties. First quarterly payment due for 2010 for taxpayers making estimated tax payments. Be sure to write "1040ES 2010" on your payment. Monthly payroll deposit due for monthly depositors.
- **April 30, 2010** - Due date for quarterly payroll deposits and Form 941.
- **May 17, 2010** - Due date for non-profit organization tax return Form 990.

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Information in this newsletter is deemed accurate, but not guaranteed.

Clifford's Notes



2010 Tax Update

2010 Mileage Rates -

The new IRS mileage rates for 2010 are as follows:
 Business.....\$.50 per mi.
 Charity.....\$.14 per mi.
 Medical.....\$.165 per mi.

New Homebuyer Credit Extended -

The new homebuyer credit has been extended to April 30, 2010. To qualify for the extended credit, you must meet the following requirements:

- Not a dependent
- Age 18 or older as of

- the purchase date
- Not purchasing the home from a related party
- Have not owned a home within the past 3 years OR owned the same home for 5 out of the past 8 years and purchased a new home after November 6, 2009.
- Have a binding contract dated before May 1, 2010. AND purchase date before July 1, 2010.

- Attach the signed closing document (HUD 1) or proof of occupancy to your tax return

Refunds - Did you receive a refund that was different from what you expected? You should receive a letter from the tax agency listing the reason(s) for the difference. Make sure your tax preparer reviews the letter to ensure the changes are correct.

Kevin's Insurance Notes **By Kevin Monty**

As you look at your taxes this year, you should also review your insurance policies and needs. You should review your insurance coverage at least annually, evaluating the cost and protection each policy provides. You may have experienced a life event that will require changes in your insurance. Each type of insurance is designed to protect against a different uncertain event, such as death, disease, disability, wage loss, etc. Evaluate life insurance policies to see if they cover your current needs and a sufficient period of time. If you have a family or a household with only one income, you should also have disease and disability insurance. Remember to review the beneficiaries listed on your policies. If your beneficiary list is not up-to-date, your loved ones could face unnecessary hassles in a time of loss. Call your agent to help you review your situation. Your agent may have new products that better suit your needs. We offer free reviews and needs analysis of your current insurance policies. Do not wait. It is important to have protection in place.



Remember to check your W-2s, 1099s, and other tax forms to ensure that your name and Social Security number are correct.



Per IRS regulations, all church giving receipts must indicate that the donor received only intangible religious benefits from the donation. The following statement would meet the requirements:

Pursuant to Internal Revenue Code requirements for substantiation of charitable contributions, the _____ Church provided no goods or services in exchange for these contributions other than intangible religious benefits.



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Can You Survive an IRS Audit? **By Joy E. Hacker, CPA**

In my experience, most people are diligent about adding up those items that provide tax savings—such as charitable contributions, business expenses, clergy housing expenses, etc. However, **knowing** the correct amount you spent and **proving it** to the IRS may be two different matters.

The IRS has placed an increasing emphasis on disallowance of deductions that are not adequately documented. For decades, cancelled checks have served as the primary documentation for many expenses. Recent advances in technology have led many banks to stop returning cancelled checks to their customers, and suddenly many taxpayers are facing a risk of inadequate documentation.

IRS documentation rules have not changed, even though banks have undertaken new procedures. Every deduction or exclusion claimed on your tax return must be supported with adequate documentation. Now is the time to review whether you are maintaining adequate records and make any needed changes for 2010.

STEP ONE: Prove that the expenditure has been paid.

If you no longer receive cancelled checks from your bank, you may have to use alternative procedures to document your expenditures. Since an audit generally won't take place until 2-3 years after you file your tax return, it is important to collect and organize your documentation before the tax return is filed. Please note the following ways that you can (or cannot) prove an expenditure has been paid:

Not Adequate Proof of Payment:

- Check register listing only
- Duplicate checkbook only
- Copy of check for contribution of \$250 or more
- Contribution solicitation form marked with check number and amount paid

Adequate Proof of Payment:

- Store purchase receipt (detailed)
- Copies of checks printed from online bank account, except contributions of \$250 or more (recommend printing front and back of any tax payment checks)
- Mini-check copies provided by bank, except contributions of \$250 or more
- Duplicate checks plus bank statements, except contributions of \$250 or more
- Photocopy of checks (before mailing) plus bank statements, except contributions of \$250 or more
- Credit card bill if adequate detail provided
- Receipt from charitable organization containing required information

STEP TWO: Prove that the expenditure meets deduction requirements.

In addition to proving that you have spent the cash, you must be able to prove the expenditure is eligible for a specific tax deduction. Some expenses are straightforward; for example, if you can prove you paid real estate taxes you are eligible to deduct them. The requirements for other deductions, however, are more complicated. Note the following examples of additional documentation required (list is not intended to be com-

prehensive):

- Business meals and entertainment—date, location, business purpose, and participants
- Business gifts—date of gift, description, and business purpose
- Business cell phone or computer usage—log of time on business vs. personal use, business purpose

A Note about Contribution Documentation Requirements:

The IRS is convinced that taxpayers frequently cheat when reporting the amount of their charitable contributions, and this is currently an area of intense scrutiny. Please keep in mind these requirements:

- Contributions of \$250 or more to a single charity on the same date must be documented with a valid receipt from the charity. For contributions less than \$250, either a receipt or cancelled check is acceptable
- To be valid, the charity's receipt must include: name of organization, name of donor, date and amount of contributions, and appropriate language concerning any goods or services provided.
- Contributions must be to nonprofit organizations; payments to individuals, political organizations, and lobbying groups are not deductible
- Rules for deducting non-cash donations are very stringent; contact a tax advisor first!
- **No documentation = no deduction.** By law, you must obtain the documentation for your charitable contributions **before** you file your tax return

If you have questions, please contact one of the professionals at our office.