TAX UPDATE
2010 MID-YEAR NEWSLETTER

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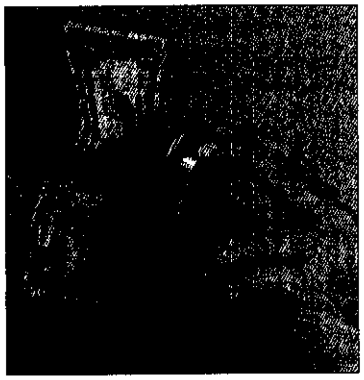
Dear Clients, The massive 2,000 page Health Care Reform Bill recently passed is loaded with tax changes. Some of the changes take place immediately, while others phase in over the next eight years. Please spend a few minutes reviewing the changes summarized in this Tax Update Newsletter. Feel free to call with any questions you may have.

What's in the New Health Care Reform Bill?

10 Things You Should Know

While not all encompassing, here are some of the major items within the newly passed Health Care legislation. More news will be forthcoming, as well as possible legal challenges to parts of the bill, so you may want to stay tuned.



1 Pre-existing Health Problems. Starting in 2010 insurers may not deny coverage to eligible individuals (including children) because of a pre-existing health problem. In addition, lifetime limits and restrictive annual limits on benefits have been prohibited from most plans.

2 Children on Adult's Policies. Adult children under the age of 26 may remain on a parent's health insurance policy.

3 Government Insurance Help. Families with incomes up to $88,000 may receive government help to pay for health insurance.

4 You Must Have Health Insurance. Beginning in 2014, all Americans will be required to obtain health insurance or they will be penalized via an excise tax. The tax amount is subject to change, but the current proposal is to tax each uninsured individual $750 per year plus 50% of that amount for each child not covered. There will be a maximum tax per family. Most employers are also required to provide affordable health insurance to employees or face penalties as well.

5 Higher Medicare Tax. To pay for the bill, the Medicare payroll tax is being increased 0.9% to 2.35% on wages above $200,000 for individuals and above $250,000 for those married filing jointly starting in 2013.

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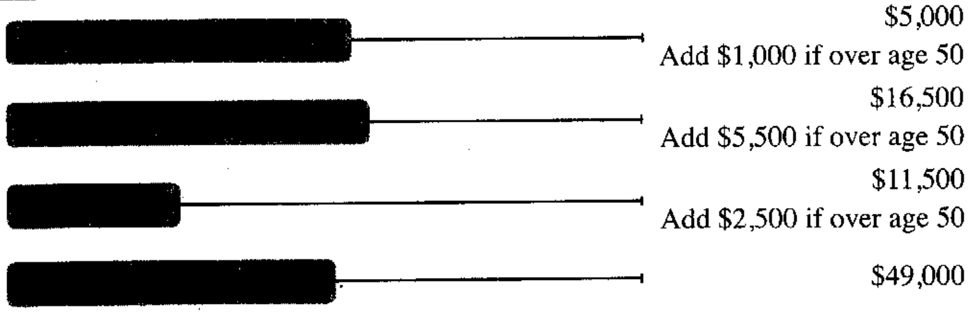
New Small Business Health Insurance Tax Credit

In an effort to help small businesses offer health insurance coverage or maintain the coverage they have, there is a new tax credit to help qualified businesses cover their health insurance expense. The maximum credit in 2010 is 35% of premiums paid (25% for tax-exempt organizations). As is true with most government programs, this one has strings attached:

- The employer must have fewer than 25 full time employees (FTE).
- Wages must average less than $50,000 per employee per year.
- The credit is maximized for employers with 10 or fewer full time employees paying an average wage of $25,000 or less.

The credit increases to a maximum of 50% of premiums paid in 2014 (35% for tax exempt organizations).

2010 Annual Retirement Plan Contribution Limits



Note: Income limits apply to most of these plans. Make sure you review your situation before you change your contributions.

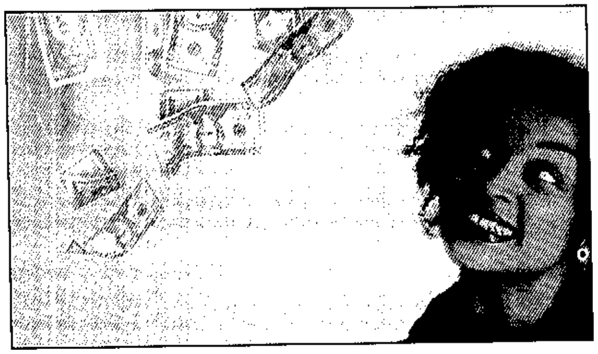
2010 Health Savings Accounts Contributions Limits*

Maximum Contribution

Self	$3,050
Family	$6,150
	(Add $1,000 if 55 or over)

** Requires participation in a qualified high deductible health insurance plan with specific deductible and out-of-pocket coverage requirements.*

Is a Roth IRA Right for You?



You have until April 15th, 2011 to contribute up to $5,000 ($6,000 if age 50 or over) into a 2010 traditional IRA or a Roth IRA. Is this an option worth considering for you?

Traditional IRA A traditional IRA is an individual retirement account that allows you to contribute money, and depending on your income level, deduct the contributions from your taxable income. Any earnings made in a traditional IRA account remain tax-deferred until the money is withdrawn from the account, so that tax is only paid on the money once it is withdrawn. After the account holder reaches age 70 ½ you may no longer make contributions into your IRA and minimum required distributions must be taken from the account. Anyone with earned income can create a traditional IRA, but if you also have a retirement account with an employer, there are income limits to the amount you can contribute to your IRA in pre-tax dollars.

Roth IRA A Roth IRA is an individual retirement account that allows you to contribute income that has already been taxed ("after-tax" dollars). Withdrawals of earnings on contributions from Roth IRA accounts are federal income tax-free so long as a 5-year holding period has been met and the account holder is at least 59 ½ years old, disabled, or deceased. Withdrawals of contributions are always tax-free since you already paid the tax on the contributions. There are no required minimum distributions nor are there age limits for contributions. In 2010, individuals who earn more than $120,000 and married joint filers who earn more than $167,000 are ineligible to contribute to a Roth IRA.

So Which is Better?

- Traditional IRA contributions that qualify for pre-tax treatment will allow a larger beginning investment to compound over time versus a Roth IRA.
- Roth IRA contributions, though smaller because of tax treatment, could create earnings that are never taxed.
- Roth IRA accounts have more flexible contribution and withdrawal rules.

So the answer is . . . it all depends. If you think tax rates will be significantly higher when you withdraw your retirement savings, then think seriously about a Roth IRA.

If you think your retirement account investments will perform well, then perhaps the earnings growth in a traditional IRA will more than pay for the additional tax at time of withdrawal.

New! Roth IRA Conversion Rules

Starting in 2010, taxpayers with adjusted gross income of more than $100,000 will now be allowed to convert an IRA (or 401(k), 403(b), etc.) into a Roth IRA. If you take advantage of this option, you must pay the tax on the funds converted, but you can pay the tax immediately or spread it equally over 2011 and 2012.

What's in the New Health Care Bill?

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6 Increase in Those Covered by Medicaid. Households with incomes up to 133% of the federal poverty level (about $29,327 for a family of four) will now be eligible for Medicaid benefits.

7 State-run Insurance Exchanges. A new state-run insurance exchange will be created to help unemployed or newly self-employed individuals afford health insurance.

8 Tax on High-Cost Policies. Starting in 2018, health care plans with a premium cost of $10,200 or more for singles and over $27,500 for families could face a 40% tax on the excess amounts. These amounts are pegged to inflation and will be billed to the insurance company writing the policy.

9 New Interest, Dividend and Capital Gain Tax. Starting in 2013 a new 3.8% tax will be imposed on dividends, interest and capital gains for all individuals making more than $200,000 ($250,000 for married filing jointly).

10 Medical Itemized Deduction Threshold Increases. Beginning in 2013 you will need medical expenses in excess of 10% (formerly 7.5%) of your income prior to using the expenses as an itemized deduction. There is an exception for those over 65 years old who may still use the 7.5% threshold.

As stated earlier, more details are to follow, and rest assured changes in America's health care system are just beginning as everyone adjusts to this new legislation.

Adoption Credit Extended *and* Increased

As a clause in the recently passed Health Care Bill, the Adoption Credit has been changed:

- For 2010 the adoption credit is increased to $13,170 (an increase of $1,000).
- The credit is now a refundable credit.
- The credit has been extended through 2011.

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.