Jennings Seminars *877-466-1040*

Tax Pro News

By Practitioners, For Practitioners

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Last Minute CPE

Are you America's worst procrastinator? Our "Get a Life" week of live-streaming classes starts Monday! Click the hyperlinks for detailed information. All classes are from 10am-6pm, EST.

On Monday, 12/28 we have our 1 day Business Tax Update class (8 CPE hours)covering big changes in 2009 for S corporations and LLC's.

On Tuesday & Wednesday 12/29-30 we will be presenting our 1040 In Depth class (16 CPE hours) with more information than relatives at your holiday dinner table!

Finally, for you expert procrastinators we offer on New Years Eve, 12/31 our 8 hour Compilations & Review class. Oh, and you really need to get ahold of yourself for 2010 if you are taking this class.

Every one of these classes is live-streamed from live classes-you get all of our energy and enthusiasm from the live audiences beemed to you while you drink eggnog and watch meaningless bowl games. We won't sit at a desk or stand behind a podium boring you, charge you fruitcake prices or highball fees, we actually add something to the presentation!

Other Upcoming

Live Streaming Videos

IN THIS ISSUE: **Roth Conversions**

Roth IRA Conversions 2009 Jennings Advisory Group, LLC
By Bob Jennings, CPA, CFP
President, Jennings Seminars www.Taxspeaker.com

In the next few weeks Americans will be inundated with a media onslaught recommending that they convert, convert, and convert to Roth IRAs immediately because of the special rules for 2010. In 2010 the normal $100,000 gross income limit applied in earlier years is removed, and the taxpayer has the option of deferring the taxable income to the years 2011 and 2012.

Characteristics of the Roth IRA

The Roth IRA is a non-deductible savings account, whose earnings and withdrawals are non-taxable after two basic rules (with exceptions) are met; attainment of age 59 and , and holding the money in the account for five years. For 2010 the deposit may be made at any time from January 1, 2010 through April 5, 2011. The maximum 2010 deposit is $5,000 per taxpayer, with an additional $1,000 allowed if the taxpayer is over age 49 on December 31, 2010.

Because Roth contributions are not deductible, they are not reported on the tax return, but the account must be separately established and maintained as a Roth IRA. The 2008 Military Tax Relief Act permits contributions of military death benefits and military insurance proceeds to Roth IRAs and Coverdell ESAs without regard to dollar limits. Non-working spouses may make Roth contributions following the same rules as used for traditional IRAs. Finally, contributions to traditional IRAs reduce allowable Roth IRA contributions for the same tax year and vice-versa. However, contributions to other pension plans and SEPs or SIMPLEs do not reduce the allowable Roth IRA contribution amount.

In order to deposit money into the account the taxpayer must have earned income that falls under the IRS imposed limits. For 2010 the limits are:

Can You Make a 2010 Roth IRA Contribution?

Roth IRA Contribution Eligibility	Can Contribute at the Maximum Limit if MAGI is not more than:	Can Contribute at a Reduced Limit if MAGI is Between:	Cannot Contribute if MAGI is Above:
Single, H of H	$105,000	$105,001-$120,000	$120,000
Married Filing Joint	$167,000	$167,001-$176,000	$176,000
Married Filing Separate	$0	$0-$10,000	$10,000

In contrast to the traditional IRA, the Roth account holder has no requirement to take money out at age 59 and . Additionally, the taxpayer may continue to make Roth deposits in years after reaching 70 and as long as the taxpayer has earned income.

Parents may pass their Roth IRA to their heirs, and the heirs do not pay tax on any distributions from the Roth IRA, as long as the parents have reached the 5 year test. Older parents who no longer qualify for IRA contributions, but who continue to work may wish to fund Roth IRAs as a tool to pass the assets ***AND*** the appreciation to the kids without income tax!

Conversion Rules:

1. ***Convert any account.***

In 2008 Congress substantially relaxed the rules limiting conversions to Roth IRAs. This IRS table at www.irs.gov/ep provides an excellent summary of rollover rules.

ROLLOVER CHART

12/15/2009

Roll From \ Roll To	Roth IRA[1]	IRA (traditional)	SIMPLE IRA	SEP-IRA	457(b) (government)	Qualified Plan [4] (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k) or 403(b))
Roth IRA	YES	NO	NO	NO	NO	NO	NO	NO
IRA (traditional)	YES[2]	YES	NO	YES	YES	YES	YES	NO
SIMPLE IRA	YES[2], after two years	YES, after two years	YES	YES, after two years	YES[3] after two years	YES, after two years	YES, after two years	NO
SEP-IRA	YES[2]	YES	NO	YES	YES[3]	YES	YES	NO
457(b) (government)	YES[2], after 12/31/07	YES	NO	YES	YES	YES	YES	NO
Qualified Plan[4] (pre-tax)	YES[2], after 12/31/07	YES	NO	YES	YES[3]	YES	YES	NO
403(b) (pre-tax)	YES[2], after 12/31/07	YES	NO	YES	YES[3]	YES	YES	NO
Designated Roth Account (401(k) or 403(b))	YES	NO	NO	NO	NO	NO	NO	Yes, if a direct trustee to trustee transfer

[1]Subject to income limits until December 31, 2009
[2]Must include in income
[3]Must have separate accounts
[4]Qualified Plans include, for example, Profit-Sharing, 401(k), Money Purchase, Defined Benefit plans
For more information regarding retirement plans and rollovers, visit Tax Information for Retirement Plans Community.

2. *Convert Any Amount*

The taxpayer has total flexibility on the amount to be converted. Partial, complete or no conversions of individual accounts, some accounts, all accounts, different types of accounts and different amounts are allowed, based solely on the taxpayer s individual decisions.

3. *The fair market value is taxable on the date converted*

The conversion itself creates taxable income at the value of the account on the date converted. The value of common stock, bonds or mutual funds will be included in income and reported to the taxpayer on Form 1099-R. The 1099-R should reflect Code 2 if the taxpayer is under age 59 and on the date of conversion, or Code 7 of the taxpayer is 59 and or over on the date of conversion.

4. There is no automatic tax due on the conversion

Although the conversion creates taxable income, it does not necessarily create tax due. If the taxpayer has low income, losses from other activities, large itemized deductions, personal exemptions or other items, these losses and deductions may be used to reduce any potential tax burden from including the converted amounts in income in 2010.

5. There is no penalty on conversion

The actual conversion and inclusion in income of the converted amount does not cause penalty, because conversions are specifically excluded from any early withdrawal penalty.

6. Where will the money come from to pay the tax?

many many more. We are excited about this one and working on it while completing the last seminars of the season over the next few weeks.

In mid-2010 we will roll out the software version of the program to automatically complete your letters, checklists and calculators for you!

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Tax Season Help!

We have 2 new products to help you through tax season without leaving your office!

Our Tax Season Tune-Ups are 2-hour last minute reviews to avoid major mistakes.

On February 10 we will do our 1040 filing season update and on February 24 we will do our Business return filing season update.

Our other package is our new "Lunch with Bob" streaming set. Every Tuesday from February 9 until May 11 we will offer a 1 hour lunch class. Three classes each month will be topic specific and 1 class each month will be open microphone questions/answers. You can attend using a

Here is an interesting question that is ignored by the conversion sales people. If the taxpayer takes money out of their IRA to pay the tax, then it is treated just like any other IRA withdrawal, meaning if the converting taxpayer is under age 59 and a 10% penalty will apply on any conversion money used to pay tax rather than converted to the Roth!. Similarly if money is withdrawn from the Roth to pay the tax, that money has not been in the account for 5 years and will also be subject to a 10% early withdrawal penalty unless the taxpayer is over age 59 and ! Meaning that the taxpayer had better have some separate cash available outside of retirement accounts to pay any tax arising from the conversion. Don t forget if the taxpayer is receiving Social Security during the conversion year, the income exclusion could also make more of the Social Security taxable.

7. Will tax rates rise in 2011 and 2012?

For taxpayers who choose to defer converted income in 2010 (only) to future years, the conversion will be included in 2011 and in 2012. With the distinct possibility that the future rates will be substantially higher than 2010 rates, the taxpayer may wish to pay ALL of the tax in 2010. The nice thing is the decision will not have to be made until April 15, 2011.

8. Do not co-mingle the conversion money into an existing Roth!

Possibly the most overlooked conversion issue is the co-mingling issue. When a taxpayer mingles conversion money into a traditional contributory Roth IRA two bad things can happen. First, if the converted assets decline in value the taxpayer may wish to re-characterize back to the traditional IRA, and this may be impossible once the funds are co-mingled.

More importantly, converted money uses its own 5-year holding period. This means that co-mingled contributory/converted Roth IRAs will use *the new conversion date* to calculate the beginning of the 5 year holding period, rather than the old contributory date. This could be disastrous for an individual planning on utilizing the old contributory Roth accounts in the near future!

9. Remember President Roosevelt

Many years ago my elderly mother sold some land and we did not plan that the additional income would cause her Social Security to become taxable. When I told my Mom she owed a few hundred dollars in tax on her Social Security she looked me in the eye and said That can t be right Bobby, President Roosevelt said we would never have to pay tax on Social Security . Of course Congress changed that rule in the mid-1980 s when they needed money. Do you really believe our current crop of spine-free politicians will ever actually cut funding to anything when there is a several trillion dollar pool of never-to-be-taxed Roth IRAs just waiting there ready to be taxed?

1040 Manual Additions & Corrections

- We have just posted the "Additions and Corrections" summary for our 2009 1040 In Depth manual, including all law changes through Thanksgiving. It is available in the free download section at www.taxspeaker.com .

- The summary also includes our "Home Credit Table" as well as those 6 "Must Ask" 1040 interview questions.

package for all, by month or just pick and choose!

2/9-Computer Tips

2/16-Engagement Letters

2/23-Open Mike Questions

3/2-Out of state returns

3/9-S Corporations

3/16-1040 Problem Clients

3/23-1040 filing issues

3/30-Open Mike Questions

4/6-Last Minute Issues

4/13-Open Mike Questions

4/20-Tax season review

4/27-Dealing with Extensions

5/4-Tax software

5/11-Estate & Gift Planning

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- While you are in the free download section we highly recommend you also download our 2009 1040 interview question file and the 2009 Year End 1040 client letter.

- We also include a powerful "Financial Calculators" section, courtesy of TValue for your use with clients. TValue has these available for addition to your website.

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2010 New Courses

We have several new short courses and 4 new 8-hour courses coming in 2010. The 8 hour courses are already scheduled as noted, with more to come. Ask your society to sponsor a course if your state is not on this list!

New short courses for 2010:

2010 Social Security & Medicare for the Tax Professional-3 hours

After a fruitless search for a ready reference social security course for tax professionals, we decided to write one! We start with an overview of Medicare coverage, coverage hurdles, 2010 Health Care bill changes and costs. We then spend the rest of our seminar time discussing social security: what does it take to qualify, benefits, retirement, pitfalls, planning ideas and options in an easy to understand example-laden format.

2010 Practice Management-4 hours

This course addresses vexing small firm practice issues and provides common sense guidance for choosing tax software, fees, billing, interviewing clients, tax return processing, client relationships, compliance, liability and practice transfer issues. New for 2010, this is Americas 1st course designed for small firms by small firms.

2010 Top Tech Topics-2 Hours

This course is designed to cover the What s New section of our 8-hour technology course. We discuss pitfalls and advantages of changing to Windows 7 from a real practitioner point of view, the latest software and hardware tools, online applications, web portals and more. This two hour class may be the best value-added short course in America.

2010 Estate & Gift Planning Review for 2010 & Beyond-1 Hour

An overview of basic gift and estate tax rules and planning concepts is provided in an example form in this short review class.

New 8 hour courses for 2010.

2010 Small Firm Accounting Issues-8 Hours (Accounting) (Portland, Or, Wisconsin Dells Resort):

Oriented to firms whose practice is devoted primarily to compilations and reviews, this new 2010 course works with the practical aspects of a QuickBooks client to illustrate preparing no-disclosure and full-disclosure financial statements, checklists, engagement letters and report letters, as well as financial analysis of the client, footnote preparation, disclosures and the related practice quality oriented aspects of an engagement. Useful for both newcomers and experienced professionals our goal is to make this an immediately applicable guide for all small firms in the practice of compilations & reviews.

2010 Preparing Your Clients for Retirement-8 Hours (Richmond, VA, Clarksville, IN, Lincoln City, OR Resort)

This class combines our Retirement Plans & IRAs course with our Social Security & Medicare and our Estate & Gift Planning Review to provide a special new course addressing retirement issues for working taxpayers or an aging client base.

2010 Hot Tax Topics-8 hours (Fargo, Clarksville, IN)

This advanced class combines 5 of our short specialty topics in one hard-hitting tax class. We discuss business tax credits, accounting methods, engagement letters, employee/independent contractor and tax implicaations of starting a business in this vibrant review of the latest ideas.

2010 Small Firm Hot Topics-8 hours (Richmond, VA, Clarksville, IN, Lincoln City, OR Resort)

This practice owner seminar is devoted to the 3 new short classes combined in 1 exciting day: practice management, top tech topics and accountant's reports to make your firm more compliant and profitable immediately!

Alaska Cruise 2010

Our 2010 Alaska CPE cruise will include 8 hours of live on-board CPE and 32 hours of self study. We are also finalizing our discussions with the Alaska Society to offer the 8 hour technology class, the 8 hour 1041 class and possibly the 8 hour compilations class in Anchorage at the end of the cruise! That information will be available within about 10 days.

We suggest sign up deposits by January 31, 2010 as it is now beginning to look like this event will sell out our entire cabin allottment.

Our 2010 Alaska cruise CPE is scheduled for July 18-26th on Holland America lines from Vancouver to Seward. Call Wayne McCaulley at Holland American Cruise Lines at 800-355-3017 x 29301 to get pricing and to reserve your cabin today! Call Jennings Seminars at 877-466-1040 with any questions or to register for onboard seminars.

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www.TAXSPEAKER.com

Jennings Seminars
300 N. Sherwood
Clarksville, Indiana 47129
Phone: 812-288-1513
Fax: 866-223-2696