



GROCO WEEKLY

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Weekly Wealth Building Tips

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Beware the Roth Conversion trap



The Feds have set a nasty but subtle trap for high income IRA investors and if you aren't careful, it could end up costing you hundreds of thousands of dollars.

In 2006, President George W. Bush signed the Tax Increase Prevention and Reconciliation Act. Among other things, this law liberalizes the rules for converting traditional IRA's into Roth IRA's in 2010. In the past, such conversions were subject to strict income limits but, as of January 1,

those limits were eliminated. To further sweeten the deal, IRA holders who convert now have two years to pay the taxes associated with conversion instead of the previous one year.

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2009 Dependent Care, Education and Child Credits

QUALIFYING CHILD FOR CHILD TAX CREDIT

A qualifying child for purposes of the child tax credit must be all of the following:

1. Claimed as your dependent on line 6c of Form 1040 or Form 1040A.
2. Under age 17 at the end of 2009.
3. Is your:
 - a. Son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild), or
 - b. Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) whom you cared for as you would your own child, or
 - c. Foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child).
4. A U.S. citizen or resident alien.



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Dissolving California Entities That Have Ceased Doing Business



Entities have one year from the date their final return is filed to formally dissolve with the Secretary of State.

The FTB no longer assesses the \$800 minimum franchise tax, or the \$800 annual tax, for the year after a corporation, LP, LLP, or LLC ceases business, provided the entity:

1. Files a timely final tax return on or before the extended due date for the preceding taxable year;
2. Does not do any business in California after the end of that year; and
3. Formally dissolves with the Office of the California Secretary of State (SOS) before the end of the 12 month period beginning with the date the final return was filed.

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 **GREENSTEIN, ROGOFF,
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Tips for Avoiding an IRS Audit



Do you want to minimize your chance of being selected for an IRS audit? There is no way to completely avoid being selected for an IRS audit however; there are tips that you can follow to minimize your likelihood of being audited.

Below are six tips to lessen the chance of your return being selected for an IRS audit:

1. Be honest - If you live by the simple rule of honesty, it will save you a lot of stress. It is wise to see that all of your expenses and deductions are true when recorded on your tax return. Mistakes happen, but avoid intentional ones.

2. Be organized - It is important to keep good records. Properly record any expenses that you are deducting on your tax return. Business expenses such as travel, meals, mileage etc. can be deducted, as long as they have been recorded. If the expense is minimal, a simple note written in a notebook or on a spreadsheet will work, but if the expense is large, keep the receipt. A receipt will help to prove an accurate deduction.

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Upcoming Due Dates

[Upcoming Tax and Accounting Deadlines](#)

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