

## SPRING 2010

### Welcome to Spring, from Bergan Paulsen!

Spring is in the air, and nowadays it is as important to be aware of changes in the economy as it is changes in the season. With our country's ever-changing tax regulations, being ahead of the industry trends can be just as important to your agribusiness' success as the products you sell. In this month's newsletter, you'll find some information on items we at Bergan Paulsen feel is important for 2010.

At Bergan Paulsen, our mission is to provide timely, quality services that exceed the expectations of our clients. As a regional firm specializing in the agribusiness industry, we understand the issues these businesses encounter in their everyday financial planning.

If you would like more specific information on any of the info in this month's newsletter, please contact Mike Regan or Tony Heiple at 319.294.8000.

#### *Tips to Maximize the HIRE incentives:*

- 1. Identify all current employees who may meet the requirements of a qualified employee, and have them sign form W-11, which can be found on the IRS website*
- 2. Ask each employee you hire in 2010 if they meet the requirement of a qualified employee and have them sign form W-11 if they do*
- 3. Coordinate with your payroll departments to discuss the ramification of adjusting your payroll systems to reflect the payroll tax holiday*
- 4. Be sure to take a credit for the first quarter taxes are paid but that would otherwise be subject to the holiday rules.*

### Hiring Incentives to Restore Employment Act

Section 179 has been extended for 2010. The 2010 HIRE Act extends the enhanced expense method depreciation amount for 2010 at the 2009 amount - \$250,000 with the beginning of the phase-out starting at \$800,000. It is extended for tax years beginning after 2009 and before 2011. The HIRE Act did not extend bonus depreciation for 2010, which expired on December 31, 2010.

The 2010 HIRE Act provides relief from the employer's 6.2% share of social security taxes on wages paid by employers that hire unemployed workers. The relief applies to wages paid beginning on March 19, 2010 and ending on December 31, 2010. The relief applies to qualified employers (defined below) with respect to employment during the period beginning on March 19, 2010 and ending on December 31, 2010, who employ any qualified individual (defined below) for services performed. There's no limit on the total amount of an employer's tax that may be forgiven under this provision. However, the amount of tax forgiven for any employee can't exceed \$6,621.60, because the 6.2% tax applies to only the first \$106,800 of wages paid in 2010 ( $\$106,800 \times 6.2\% = \$6,621.60$ ). An employee need not work for a minimum number of hours in order for the employer to qualify for the payroll tax holiday. Thus, the holiday is available for wages paid to part-time employees. Also of note, seasonal employees "re-hired" in the spring would qualify for the holiday if they meet the terms of a "qualified individual" defined later.

The term "qualified employer" means any employer in the private and not-for-profit sectors. It doesn't apply to public-sector employers other than public institutions of higher education. The term "qualified individual" means an individual who:

1. begins employment (or re-hired employment) with a qualified employer after February 3, 2010, and before January 1, 2011;
2. certifies by signed affidavit (Form W-11), under penalties of perjury, that he hasn't been employed for more than 40 hours during the 60-day period ending on the date the individual begins employment with the qualified employer;
3. is not employed to replace another employee of the qualified employer unless that other employee separated from employment voluntarily or for cause; and
4. is not related to the qualified employer.

## Expanded Net Operating Loss (NOL) Carryback

The Worker, Homeownership, and Business Assistance Act of 2009 (WHBA) expanded the carryback period for an "applicable net operating loss" from two taxable years to the taxpayer's choice of three, four, or five taxable years. This expanded carryback provision is available only if the taxpayer elects the application of the WHBA provision. An "applicable net operating loss" is a net operating loss that arises in a taxable year ending after December 31, 2007, and beginning before January 1, 2010. This provision can be used for only one taxable year. For calendar year taxpayers, this provision may be applied to the 2008 or 2009, but not both years. For fiscal year taxpayers, the choice may be made for only one of up to three taxable years.

## Registering Your Trade Truck with the State of Iowa

Normally, the registration fee for a 2010 model truck in the State of Iowa is based on weight, list price, and model year. However, a "business trade" exemption may be claimed by certifying you are qualified to receive the exemption on your application for title and each time upon renewal. The annual registration fee for a business trade truck is \$150 for a 3-ton plate. The vehicle must display a business trade truck license plate; therefore, it cannot be personalized.

A Business Trade Truck is a 2010 and newer truck that weighs 10,000 pounds or less empty which is either:

1. Owned by a corporation, cooperative, LLC, or partnership, or by a person who files a Schedule C or Schedule F, and the truck is eligible for depreciation, OR
2. Leased by a corporation, cooperative, LLC, or partnership and the truck is used primarily for business purposes, or the lessee is a person who files a Schedule C or Schedule F and the truck is primarily used for business or farming purposes.

The State of Iowa has said that if the "Business Trade Exemption" box on the application for title is not marked but the purchaser does qualify, they will not get a refund of fees. A change to "Business Trade Plates" can be done, but the reduced fee will not take effect until the next renewal date. The following website has listed on it many other details regarding registering vehicles in the State of Iowa: [http://www.iowadot.gov/time21/vehicle\\_reg.html](http://www.iowadot.gov/time21/vehicle_reg.html).

## Chemical Security Credit

As a reminder, the chemical security credit is still available. The credit applies to expenditures paid or incurred after May 22, 2008 and before January 1, 2013. There is an overall annual credit limit that applies per facility and an annual overall credit limit considering all facilities. The qualified agricultural chemicals that the credit applies to include fertilizer commonly used in agricultural operations and pesticides which are used on crops.

Qualified security expenditures include amounts paid or incurred for:

1. Employee security training and background checks
2. Limitation and prevention of access to controls of chemicals stored at the facility
3. Tagging, locking tank valves, and chemical additives to prevent the theft of chemicals or to render them unfit for illegal use
4. Protection of the perimeter of specified chemicals
5. Installation of security lighting cameras, recording equipment, and intrusion detection sensors
6. Implementation of measures to increase computer or computer network security
7. Conducting a security vulnerability assessment
8. Implementing a site security plan

## Did you know?

1. Spring equinox is one of only two times during the year that the sun rises due east and sets due west.
2. Earth's seasons have shifted in the past 150 years or so, according to a study that came out in February 2010. The hottest and coldest days of the year are now occurring almost two days earlier!

