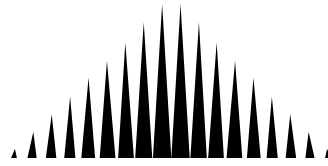


Tax interview appointments are now available. Please call to schedule your appointment today!

T. Dennis Connally
Consultant, P.C. CPA

770-920-2890



T. Dennis Connally Consultant, P.C.
Certified Public Accountant



SEPTEMBER 2010

Word of the Month

galore\ guh-LOHR \ , adjective;

1. In abundance; in plentiful amounts

Q u i c k B o o k s

Tip of the Month

Tips & Tricks For Entering Dates

- +—Next Day
- - —Previous Day
- W—First day of the week
- K—Last day of the week
- Y—First day of the year

FREE SEMINAR

**TIPS ON SURVIVING THE TRANSITION TO
1099 COMPLIANCE FOR BUSINESS OWNERS**

WEDNESDAY, SEPTEMBER 22, 2010
8:00AM-9:00AM

SAM & ROSCO'S
7450 Douglas Blvd
Douglasville, GA 30135

Complimentary refreshments will be served.
R.S.V.P. Requested 770-920-2890

Important Dates to Remember

September 15th—Corporate and Partnership 2009 Tax Return Deadline

September 15th—Georgia State Withholding Due for Monthly Filers

September 20th— August 2010 Sales Tax Returns are Due

ASAP—All information must be in our office IMMEDIATELY for preparation of 2009 tax returns if an extension was filed.
Please call today if you would like an appointment.

Did you file an extension for your company or personal tax return?

All corporations and partnerships that filed extensions must bring their information to our office immediately! The deadline is only 2 weeks away! The returns must be prepared and filed by September 15th, 2010!

Also, individuals who filed extensions should contact our office by September 15th to make an appointment or other arrangements to have your return prepared by October 15th!

How do I set up a retirement plan for employees of my small business?

There are many options available for retirement plans for your employees. Please see the following list of options. For more information on any of the following options, please feel free to contact our office and speak with one of our professionals.

- Payroll Deduction IRAs
- SEP Plans
- Simple IRAs

Deducting Receivables as Bad Business Debts

While the economy continues to slowly recover, many businesses continue to face customers struggling to pay outstanding bills for services or goods. The Tax Code provides relief to businesses faced with the inability to collect on accounts receivable. Businesses that are unable to get customers to pay the bill can claim a deduction for the "bad debt."

Business bad debt deduction

Taxpayers may deduct any business receivable that becomes totally or partially worthless during the tax year under Tax Code Sec. 166(a). However, the business bad debt deduction is limited to the taxpayer's adjusted basis in the receivable.

The deduction allowed for bad debts is an ordinary deduction. To claim the deduction, you must establish that the debt is genuine and that the amount cannot be recovered from the debtor. You must also make a reasonable attempt to collect the debt (however, you do not have to turn the debt over to a collection agency or file a lawsuit in an attempt to collect on the debt if doing so has little probability of success). The law requires most taxpayers to use the specific charge-off method of accounting for bad debts. Under the specific charge-off method, the taxpayer must specifically identify the accounts or notes charged off as partially or completely worthless (it is also referred to as the direct write-off method). If you meet these conditions, you can take the deduction in the year in which the debts became worthless. This includes

certain previous years since, for some debts, worthlessness may not be immediately apparent. You can deduct a bad debt before the debt is due if you can establish the partial or complete worthlessness of the debt.

Partially worthless. If you failed to claim the bad debt deduction for a receivable that became partially worthless in a prior tax year, you have until the later of (1) three years after you file the tax return (including extensions) or (2) two years from the time you paid the tax to file an amended return and deduct the bad debt.

Totally worthless. If you failed to claim a deduction for a receivable that became completely worthless in a previous tax year, you have until the later of (1) seven years after the due date of the tax return (not including extensions) or (2) two years from the time you paid the tax to file an amended return and claim a deduction for the worthless receivable.

Cash basis taxpayers

Cash basis taxpayers cannot claim a bad debt deduction for accounts receivable that are not collectible. However, notes received by a cash basis taxpayer in the ordinary course of business are treated as the equivalent of cash to the extent of the note's fair market value (FMV) at the time received. Thus, the initial basis in such a note is its FMV. Cash basis taxpayers may claim a bad debt deduction for uncollectible notes receivable if they have included the FMV of the notes in gross income.

Accrual and hybrid taxpayers

Accrual basis taxpayers may claim a bad debt deduction for accounts receivable that become partially or completely worthless during the tax year. Accrual basis taxpayers must include the face value of a note receivable in gross income if a reasonable expectancy of collection exists at the time it is received. Taxpayers that use a hybrid method of accounting may deduct bad debts if they have included the revenue from the receivable in gross income.

Reporting

For self-employed taxpayers, the bad business debt deduction is reported on Schedule C, Profit or Loss from Business (Sole Proprietorship), or Schedule F (Profit or Loss from Farming (for self-employed farmers)). Corporations report bad debts on Line 15 of Form 1120, U.S. Corporation Income Tax Return. S corporations report bad debts on Line 10 of Form 1120S, U.S. Income Tax Return for an S Corporation. Partnerships report bad debts on Line 12 of Form 1065, U.S. Return of Partnership Income.

Recovering bad debts

If you recover a bad debt during the year, the amount recovered is gross income to the extent that you claimed the deduction for the bad debt in a previous tax year, reducing your taxable income. This is called the tax benefit rule. The bad debt you recovered may not be offset against the bad debt deduction for the tax year of the recovery.

Please contact our office for more information regarding the charge off of bad debt. 770-920-2890