



## From the Desk of John F. Morrissey

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In our last newsletter I wrote about community. Many of our readers have commented to me about my article, and thanked me for addressing the issue. Thanks for your comments.

Just to refresh your memory, here are a couple of excerpts from that newsletter:

1. *Community*: [noun].... a number of people having common ties and interests living in the same place....

2. Support others in our community. Support other local businesses and support local agencies that help those less fortunate. Do not be hesitant to ask others in the community to help you, because, as you know, we all like to be asked to help. Rely on each other.

Last week I read a story about something that happened in a small community

many years ago. There was a woman who was going to spend the Christmas holiday in the community and made a deposit on hotel accommodations. The inn keeper took the money to pay the grocery bill that was overdue; the grocer took the money to the fisherman to pay for last week's delivery; the fisherman took the money to the oil company to pay his gas bill; and the oil company paid for the company Christmas party at the inn. The lady decided not to stay at the inn and wanted her deposit back, which the innkeeper gave to her. As you can see, many of the merchants in the community had a better Christmas because their bills were paid.

We in our community need to remember this when we spend our money or patronize local businesses. What you spend here, most likely stays here.

Well, it is once again "tax season" and as usual we look forward to seeing many of you in our office. We have been busy getting ready and educating ourselves on new tax laws. In the past few months our tax preparers have spent more than 250 hours in classes, in order to deliver the service to our clients that you have come to expect and deserve.

Once again I thank you for your patronage, we do appreciate your business.

## Focus On The Community

By Kim Adams-Bakke

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Staggering numbers, increasing percentages, millions affected — we're not talking about today's economy but about people living at the poverty level in Illinois! The Rock River Valley Pantry has been combating hunger in our community since 1974 and continues to do so today from two locations, five days a week, providing more than 6,500 individuals with groceries each month!

It is astounding that today in Winnebago County, where the majority of the Rock River Valley Pantry clients live, more than 41,900 people live below the poverty line (annual income of \$20,650 for a family of four) and another 21,200 individuals live in extreme poverty (\$10,325 annual income for a family of four).

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ROCK RIVER VALLEY  
**PANTRY**  
Northern Illinois' Largest  
Community Food Pantry



Volunteers like Julia Simmons-Moore and Harley Beebe are the backbone of the Rock River Valley Food Pantry.

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## Efficiencies of Outsourcing

By Fran Morrissey

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Outsourcing can be very cost effective for businesses. Especially in this economic environment, companies are looking for efficiencies in all areas of their business. The question is whether to build in-house infrastructures or to utilize outsourcing services through a professional firm; streamlining various functions and reducing costs.

There are two different ways that outsourcing can be beneficial: First of all, a complete evaluation and/or audit of current methods can be utilized to determine areas where efficiencies can be made.

Second, by outsourcing “backroom” type of work, a company can better utilize their time for primary and critical business functions. Outsourcing allows a company to utilize services only as needed, often without building an extensive and expensive “backroom” infrastructure.

In general, the benefits of outsourcing include a built-in backup for the outsourced areas, as well as a professional resource for concerns and opportunities as they might arise. Popular areas of outsourcing include Accounting, Payroll and Human Resources.

Accounting and taxes have typically been outsourced in part for many years; usually as preparation and evaluation of financial statements, and tax planning. Now, companies are recognizing the value of utilizing outside firms to help streamline systems and develop controls that create beneficial efficiencies in other areas. Often considered for outsourcing are accounts payable, accounts receivable and bookkeeping systems in general.

Payroll processing is another area that has historically been outsourced, utilizing systems and procedures of outside firms that provide added-value reports and services. New technology and robust systems can provide excellent information and built-in backup for this important function.

Outsourcing of Human Resources and/or employment of various departments has been growing in popularity in the last decade. Expertise and continual monitoring of legal aspects of being an employer, as well as administration and best practices, can be acquired for a fraction of what an in-house department would cost. Being pro-active in required and desired communications with employees saves time and dollars, as well as provides a productive environment for workers.

Choosing a professional firm to assist in the evaluation of current procedures and provide guidance for developing more efficient processes should be considered carefully. Professional references and personalized services that match a Company’s needs are important to consider.

The Morrissey Family Businesses have provided outsourcing services to businesses since 1972, specializing in areas of Accounting, Payroll and Human Resources. Over the years, additional services have been added to meet the needs of our Clients. Experienced professionals in each area stand ready to provide personalized services to meet the specific needs of Client companies. ♣

## 2009 Tax Law Update: Exemptions

The amount you can deduct for each exemption has increased to \$3,650 for 2009. If your Adjusted Gross Income (AGI) is above a certain amount, you lose part of the benefits of your exemption. The amount at which the phase out begins depends on your filing status. For 2009, the phase out begins at:

- **\$125,100** for married persons filing separately,
- **\$166,800** for single individuals,
- **\$208,500** for heads of households, and
- **\$250,200** for married persons filing jointly or qualifying widow(er)s.

For 2009, each exemption cannot be reduced to less than \$2,433. ♣

## New Year, New Goals!



By Dawn Pfluger

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The New Year is a common time to set goals for yourself. Some of the best opportunities in life are the ones we create. By setting goals we create the road map to a happier, healthier life. Goals can come in any size and it is important to stay organized so that we can achieve them. With a positive attitude and the help of those close to you, achieving your goals can be done with ease.

When setting your next goal it is important to consider what type of goal to strive for. I find that it is beneficial to set many specific goals that are attainable, as opposed to one large goal that may be more out of reach. When you break large goals down into measurable pieces that are easier to achieve, you can succeed more often.

After you have decided on what goals to set, an action plan should follow. Writing down your goals and the steps you plan to take to reach them helps make them real to you. It will also give you a visible plan for success. Write in detail what you wish to accomplish and what things can help you in your quest. Think about your personal values. What’s your dream? What’s your mission statement? What’s realistic? This will help you spend more time focused on the things that will make a real difference.

On a daily level, organize your schedule according to the importance of each activity. Of course, it’s tempting to leave the most painful task for last, but think about how pleased and relieved you’ll be when the more difficult goals are complete. When they are done, your smaller tasks will be completed easily. Review your list of goals often and put big check marks or smiley faces next to the ones you’ve completed. It’s always a good idea to stay positive about your progress. Share your goals with a friend and ask them to help keep your spirits up. To quote Henry Ford, “If you think you can or you can’t, you’re right.”

Don’t wait for this time next year to sit back and look at this list and see how you did. Post your goals where you, and everyone else, can see them. Measure how you are doing against your goals, and adjust as necessary. That way, when this time next year does get here you can sit back and reflect again. Rejoice in your successes. Learn from your misses.

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## File and Pay Your Return on Time

By Tiffany Podkowa

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Since tax time is approaching once again, everyone should be aware of the consequences for filing a late tax return and making late tax payments. If you delay filing your tax return and tax is owed, the IRS may assess penalties and interest charges to your tax bill. If you are filing a return where a refund is due, there is no penalty for filing late, but waiting too long to file may cause you to lose your refund.

For 2009 individual income tax returns and corporate income tax returns the failure-to-file penalty, if tax is due is 5% of the unpaid balance for each month the return is late with a maximum of 25%. If the return is filed more than 60 days after the due date (including extensions) the penalty is the smaller of \$135 or 100% of the unpaid tax. S Corporations will also be required to pay a \$50 penalty per shareholder for failure to provide schedules K-1 to the shareholders, and the penalty for failure to file the return is \$89 per month per shareholder up to 12 months. Partnerships will also receive a penalty for failure to file a return of \$89 per month per partner, up to 12 months.

Always file your tax return on time even if full payment cannot be made at the time of filing. If you file a return late, or not at all, you may lose out

on deductions that you are entitled to receive. Taxpayers who are entitled to the Earned Income tax Credit must file a tax return within three years of the original due date of the return. You may also lose social security benefits on income from self-employment, if you do not file a tax return. The Social Security Administration relies on information from your tax return to calculate your benefits. If you fail to file your taxes, you may also have trouble if you are trying to get a loan or apply for federal aid for higher education because copies of your tax returns will be required.

Taxpayers who have filed a return, but are unable to pay the full amount due, are encouraged to pay as much as possible so penalties and interest charges are lessened. Depending on the circumstances, the taxpayer may be eligible to receive an extension of time to pay of 30-120 days. Contact your nearest IRS office, or your John Morrissey Accountants professional, to determine whether or not you qualify for an extension.

If you don't qualify for an extension, the IRS can set up an installment agreement to help you pay your taxes. Penalties and interest will still continue to accrue

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## New Homebuyer Credit



By Roger Price

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The Worker, Home-ownership, and Business Assistance Act of 2009

(enacted November 6, 2009) changed the tax credit for first-time homebuyers that started in 2008.

A first-time homebuyer is defined as an individual who has not owned any other primary residence for three years prior to the purchase of the residence for which the credit is claimed. The credit is a 10% refundable credit of the purchase price, up to a maximum of \$8,000.

The new law extends the deadline for qualifying home purchases to April 30, 2010. Additionally, if the buyer enters into a binding contract by April 30, 2010, he has until June 30, 2010 to close on the purchase. Members of the Armed Forces and certain other federal employees serving outside the United States have an extra year to buy a personal residence in the U.S. and still be eligible for the credit. They must be in a binding contract to purchase a personal residence by April 30, 2011 and settle on the purchase by June 30, 2011.

The new law that started November 6, 2009 expands the credit to include **long-time residents** who buy a home as well as the first-time homebuyers. The long-time residents are eligible for a credit of 10% of the purchase price up to a maximum of \$6,500.

The definition of a long-time resident is an individual who has owned and used the same home as principal residence for any period of 5 consecutive years during the 8-year period ending on the purchase date of the new residence. The expiration dates of the credit are the same as the first-time homebuyer credit. The full credit will be available for single taxpayers with a modified adjusted gross income of \$125,000 and married taxpayers with \$225,000. Dependents are not eligible for this credit, as well as homes purchased for more than \$800,000.

Give our office a call if you have any questions regarding this new law, and we will be happy to discuss the details with you. 🍀

## 2009 Tax Law Update: A Brief Overview

- Up to \$2400 of unemployment compensation benefits received in 2009 are excluded from gross income.
- A newly signed act on November 6 extends the first time homebuyer credit of \$8,000 to June 30, 2010. A credit of \$6,500 is offered to current homebuyers who must have a contract by April 30, 2010 and close by June 30, 2010.
- The non-business energy property credit has been reinstated. You may be able to claim a non-business energy property credit of 30% of the cost of certain energy-efficient property or improvements you made in 2009. The total amount of credit you can claim in 2009 and 2010 is limited to \$1,500.
- Qualified motor-vehicle taxes paid on or after February 17 may be added to the taxpayer's basic deduction. The gross weight must not be more than 8500 pounds and the purchase cannot exceed \$49,500.
- A 10% credit, capped at \$2,500, applies to new low speed vehicles, motorcycles, and three-wheeled vehicles that meet the criteria of a qualified plug-in electric-drive motor vehicle.

For more information on these updates (and many more) please feel free to contact your John Morrissey Accountant professional at 816.282.4600, or visit our web site at [www.johnmorrissey.com](http://www.johnmorrissey.com).





“Why does a slight tax increase cost you two hundred dollars and a substantial tax cut save you thirty cents?”  
— Peg Bracken —

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To share ideas or suggestions,  
please contact John Morrissey.

This publication is designed to provide accurate information in the areas covered. It should not be construed as providing legal advice, accounting, or professional services. It is designed to provide our clients and friends with up-to-date information on topics of interest. Send address changes and all correspondence to the above address.

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## Focus On The Community...

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There are children, elderly, employed/underemployed/unemployed, disabled, and the homeless going hungry.


Hunger effects the child that is developing both cognitively and physically, the single mom at the end of the month scraping together change from the bottom of her purse to buy milk, and the grandmother wearing her coat and sitting under a blanket in her home in order to keep the heat turned as low as possible in order to have money for food. If you would like to be part of the fight against hunger we can use your help! Host a theme food drive, challenge your employer to match every pound donated with \$1, ask everyone to give up lunch one day and contribute what they would've spent to the Rock River Valley Pantry, host a Beans 4 Jeans drive, or hold a breakfast food drive which ask people to donate a healthy breakfast cereal. We provide collection barrels and pick up service convenient to your schedule.

Contact us for more ideas or information at 815.965.2466 or email us at [rrvp@rockriver.net](mailto:rrvp@rockriver.net). Visit our website at [www.rrvp.org](http://www.rrvp.org) to learn more about the difference we make in the lives of your neighbors.

Hunger exists — you may not see it but it is happening all around you. Ask the more than 50,000 hungry individuals here in Winnebago County what they had to eat today. 

## New Year, New Goals...

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Life is an ongoing journey, with lots of beginnings and continuations. We should always strive to better our lives through the goals we set for ourselves. We never get to a point when all knowledge is attained and understood, when our bodies function flawlessly. When we completely honor our values, and achieve every goal, our opportunities give light to a better you. As for me, my goal in 2010 is to strive to be better at everything I do. 

## File and Pay Your Return...

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on the unpaid portion of the debt while making payments. In order to avoid the high penalties and interest on an installment agreement, you may want to consider paying the tax due with a bank loan or low interest credit card.

If the taxpayer makes no effort to pay the taxes owed, the IRS can ask a taxpayer to sell or mortgage any assets owned. If the taxpayer still makes no effort to pay the taxes, the IRS could take more serious action, such as levying bank accounts, wages, or other income, or taking other assets. This could have a detrimental effect on the taxpayer's credit standing.

Filing your tax return and paying your tax on time will save you a lot of money in the future. Feel free to call our office if you have any questions on filing or paying your taxes timely. 