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& COMPANY, LLP

Certified Public Accountants ◆ Business Advisors

IN THIS ISSUE

Coverage for an Adult Child of an Insured

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Under the provisions of the State of Wisconsin's Budget Act of 2009 and effective January 1, 2010, health insurers are now required to provide coverage for an adult child of an insured. Under the new law to qualify for coverage under the parents' policy the child must be:

- Over 17 but less than 27 years of age,
- Unmarried, and
- Not eligible for coverage under a group health benefit plan that is offered by the child's employer and for which the amount of the child's premium contribution is no greater than the premium amount for his or her coverage as a dependent.

Based on our review of the Internal Revenue Code and its related regulations, this additional insurance coverage for the adult child is a taxable benefit to the employee when health insurance coverage is provided to an adult child who is not a qualified dependent of the employee. Under Code Section 105 of the Internal Revenue Code, the value of employee insurance paid for by an employer, including coverage for spouses and dependents, is excluded from the employee's gross income. Employer-provided health insurance for an adult child of an employee is only excludable from the employee's gross income when the adult child qualifies under federal law as a dependent of the employee. Internal Revenue Code Section 152 states to qualify as a dependent on your federal income tax return, your child must be either your "qualifying child," or your "qualifying relative."

- Be (a) under age 19 at the end of the year, (b) under age 24 at the end of the year and a full-time student, or (c) any age if permanently and totally disabled.
- Have lived with you more than half of the year.
- Not have provided more than half of his or her support for the year.

Therefore, if the adult child does not qualify as a dependent under federal income tax laws, the fair market value of adult child's health insurance is a benefit

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THE Bottom Line

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taxable to the employee. The fair market value of the insurance coverage is to be determined by the employer and the insurance provider.

The legislation mandating insurance coverage of non-qualifying dependents is also causing much confusion regarding Section 125 Flexible Spending Accounts and Health Reimbursement Accounts as well. Section 125 plans can reimburse the employee for out-of-pocket medical expenses of his or her qualifying dependent(s). A non-qualifying dependent's medical expenses should not be reimbursed by the Section 125 Plan, as the person does not meet the dependent requirement of Internal Revenue Code Section 152. Furthermore, it is our opinion that any amounts paid for medical expenses of the non-qualifying dependent(s) are taxable benefits to the employee. Further, if the employee is paying premiums pre-tax for a plan that covers non-qualifying dependent(s), the employer and insurance provider are to determine a value for the coverage provided for the non-qualifying dependent and the employee is to be taxed on that value.

The Internal Revenue Service has yet to provide any real guidance on the matter. The IRS to date has taken a hands-off approach since it has not changed any part of its Code and Regulations in regards to this matter. Further guidance from the Wisconsin Department of Revenue and the health insurance industry may be forthcoming.

"Going Green"

In recent years, Hawkins, Ash, Baptie & Company, LLP has made strides in reducing the amount of paper used in our offices; we have implemented paperless software and document storage systems. To continue that trend outwards, we will now utilize e-mail to deliver invoices and billing statements to our clients. This allows us to provide a more efficient mode of delivery of this important and pertinent information. We are also excited to announce that our clients will soon have the option to pay invoices electronically via their bank account to further this initiative. Stay tuned for further updates!

Non-Profit Reporting Requirements

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Non-profit organizations are required to file an informational return annually. There are three informational returns that a non-profit can file – Form 990-N, Form 990-EZ, or Form 990. There are exemptions, such as churches and integrated auxiliaries of churches, which are not required to file one of the Form 990 series return.

The Form 990-N was added to the 990 series when the Pension Protection Act of 2006 went into effect. This electronic postcard is required for non-profit organizations with gross receipts under $25,000.

The Form 990-EZ for the 2009 tax year (to be filed in 2010) is for non-profit organizations having gross receipts less than $500,000 and total assets less than $1.25 million. This threshold has been lowered from the 2008 tax year which was for gross receipts of less than $1 million and total assets of less than $2.5 million. For 2010 year ends, the threshold reduces to and will remain at gross receipts less than $200,000 and total assets less than $500,000.

The Form 990 for the 2009 tax year (to be filed in 2010) is required if the non-profit organization has gross receipts greater than or equal to $500,000 and total assets greater than or equal to $1.25 million.

Private foundations are required to file Form 990-PF.

According to the Pension Protection Act of 2006, if a non-profit organization does not file the required informational return for three consecutive years, the organization will lose its Federal tax-exempt status and the organization will have to reapply to regain its tax-exempt status. It has been three years since the Act went into effect and starting in 2010, the IRS will begin to revoke tax-exempt statuses.

The Form 990 series returns are due by the 15th of the 5th month after the organization's tax year ends.

If you have questions regarding filing any of the Form 990 series, please consult your HABCO tax professional today.

What is New and Different About Windows 7?

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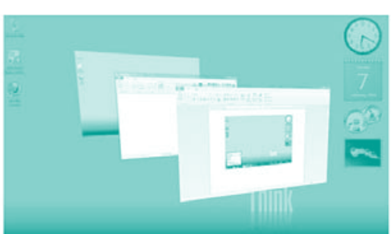
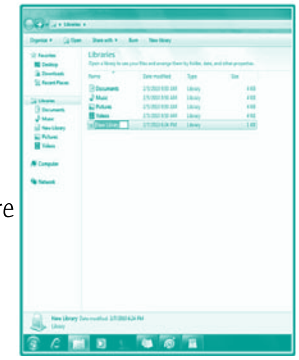
Microsoft wants the world to know that with the release of Windows 7, you gain performance, ease of use, and security. Even though it initially looks like VISTA, it is not VISTA. Microsoft claims they have made this operating system stable by working out the compatibility and security issues that surfaced in VISTA. Windows 7 introduces several new features and enhancements in both a 32 bit and a 64 bit version. It makes everyday tasks simpler and easier. The desktop is still the primary environment and provides access to all of your programs and files. You will be familiar with many of the desktop components including the background, icons and shortcuts, taskbar, and the infamous start button; however, it has changed in both behavior and appearance from previous versions of Windows. To the right of the Start button are "pinned" icons, used to launch your most frequently used programs. You can easily pin programs to the taskbar. Click once on a pinned icon to start a program. Windows 7 is program-oriented rather than window-oriented. If you open multiple instances of a program or open multiple documents in the same program, only one icon will be displayed.

Windows 7 introduces Jump Lists which are context menus that you can use to open recent and favorite files and folders. By right-clicking on a program icon, a jump list opens and displays your recently opened items. You can also pin items to a Jump List for fast access to files that you use frequently.

Other simple management features include Snap, Peek, and Shake although the traditional Windows methods for switching between open programs and files are still available. You can use taskbar thumbnails, Flip, and Flip 3-D to quickly switch among open files and programs. Pointing to the taskbar icons open a "live thumbnail" –a small image of that program window. A live thumbnail reflects what is happening in the window. You can also flip through open applications and the desktop by pressing Alt+Tab. This key combination displays thumbnails of all open programs. You can take this process and hold down the windows Key and press Tab to produce a flip through a 3-D view. Aero Snap and Aero Shake allow you to resize and quickly minimize all windows but one. You can "shake" the desired window by quickly dragging the title bar back and forth.



A new file and folder management feature is a tool called Libraries. A Windows library is a named collection of folders grouped for organization purposes. Easily find the files you are looking for and manage them as if they were in one location-even when they are in different folders or on several PCs. Every user has four default libraries, and you can create and customize your own libraries. It doesn't matter where a particular file is physically stored-you can access it in its corresponding library for easy retrieval.



Device State is a new feature that makes it easy to hook up and interact with your devices and gadgets, including cell phones, digital cameras, USB flash drives, printers, and music players all in one place. The device manufacturers can provide detailed information for their devices so that clicking a device icon opens a window with images, information, and resources that the device manufacturer can control and update.

There are a multitude of protection and troubleshooting tools in Windows 7, including the BitLocker and BitLocker To Go, that encrypt a drive to prevent unauthorized access and even protect data from any physical tampering. The Program Compatibility Wizard makes it easy to run older software optimally and fixes many problems associated with older software. The Problem Steps Recorder (PSR) allows you to record your interactions with a program or device and effortlessly create a detailed report with screen images and related information. All these tools provide support staff with the information they need to resolve problems quickly.

WINDOWS 7 SYSTEM REQUIREMENTS INCLUDE:

- 1 gigahertz (GHz) or faster 32-bit (x86) or 64-bit (x64) processor
- 1 gigabyte (GB) RAM (32-bit) or 2 GB RAM (64-bit)
- 16 GB available disk space (32-bit) or 20 GB (64-bit)
- Microsoft DirectX® 9 processor with Windows Display Driver Model 1.0 or higher driver

If you have an interest in learning more about Windows 7, we are offering a three-hour focus session on Tuesday, March 30 from 9-12. Please contact Cindy Prindle if you have any questions about Windows 7 or Sarah Loeffelholz if you would like to register for this class. You can contact us by e-mail at cprindle@habco.com, or sloeffelholz@habco.com, or by phone at (608) 784-7737. You can also check our calendar and register for any of our in-house and on-line classes on our website at www.habco.com, (point to The Training Center on the menu bar). We welcome the opportunity to provide you, our client, the competitive edge by helping your employees become more efficient using your software.

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Or contact us via our website at: **www.habco.com**

Client Satisfaction Survey – For many years the Firm has sent Client Satisfaction Surveys to you in an effort to receive feedback for both what we are doing well and areas we could make improvements. We truly want to be exceptional providers of your accounting, tax, and consulting services.

Based on results of these surveys, we have visited with clients regarding their concerns and thanked clients for their continued confidence in our firm and our associates. We have also taken the time to correct areas to become more effective by reviewing procedures and processes in both how we perform our activities and how we deliver final products to our clients.

Effective January 1, 2010, we completed updates to our survey, making it available online for clients to use at their leisure. At the completion of a project, we will send you a personal e-mail as a thank you for using our services with a direct link to the online survey. Additionally, our individual tax clients, business owners, or anyone at your company that has had contact with our firm can go to our web site at www.habco.com/feedback and select either the Client Satisfaction Survey or a General Feedback form. Of course, we do offer the survey in paper form to those clients that do not have e-mail or internet access.