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Sent: 03/29/2010 8:07 AM
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Subject: Newsletter 3/29/2010



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Newsletter Date 03/29/2010

Volume 1, Number 8

In This Issue

Selling a Business

IRS to Accept Medical
Resident's Claims

Health Care Reform

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Hayden Consulting, Inc.

Last Week:

Statutory Employee Revisited

IRS to Accept Medical
Resident's Claims

Gift Tax Returns

Important Links:

Internal Revenue Service
Indiana Department of Revenue

Know some who would benefit

SELLING A BUSINESS

Exit planning, succession planning; planning's, planning, there is no difference.

Succession Planning normally implies a transfer of a business within a family unit, or to a second generation, and begs for an answer to who in the family will succeed the present owner? A well-designed Exit Plan is more encompassing.

This process will consider a transfer within a family, but includes a sale on the open market or transfer to targeted employees. To the business owner, how ownership change comes about may be less important than simply getting the job done. But, this is extremely important in planning.

How to depart from a business may be self-evident to many. To others, an Ostrich approach is taken and the owner allows nature to take its course with the problem expected to solve itself. Every business owner has an exit plan. If formalized the decision to leave will be voluntary. With no plan, the business may fold and the owner and his family are both losers.

At any one time, about 12 million closely held businesses operate in the United States, 40% are successful. The other 60% will either improve or close. Of successful companies, 50% are dealing with ownership or transfer issues at any given time. Data suggests that of these owners, 33% intend to sell to a third party; 33% will sell to a family member; 18% will sell to their employees; and 16% will close their doors. A projection of affluent owners that anticipate retirement in the near future is about 400,000.

Therefore, over the next five years in the U. S., an influential number of closely held companies will change hands. Sadly, many owners will make the mistake of not taking steps for preparing to be a retiree. That's why a plan to say goodbye to a business becomes a priority.

IRS TO ACCEPT MEDICAL RESIDENT'S CLAIMS

The IRS has administratively determined to accept the position that medical residents are exempt from Social Security and Medicare withholding. Under the student exception rule, the taxes do not apply to service performed by students employed by a school, college, or university where the student is pursuing a course of study.

The IRS will contact hospitals, universities and medical residents who filed refund claims to provide further information and procedures. Taxpayers can obtain additional information by calling (800) 919-1717 or by logging into <http://www.irs.gov/charities> and clicking on Medical Resident FICA Refund Claims.

HEALTH CARE REFORM

The health care bill passed by Congress on March 21 won't help lower costs in the short-

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term, but will force companies to be proactive if they intend to survive. Many employers believe the health care bill will add to their problems. Companies expect that health legislation will result in increased costs and fewer benefits for employees.

Companies will make workers pay a larger portion of health cost with companies paying less of the premiums and increasing deductibles and copayments. These changes will affect both the medical and pharmacy plans. Expected are surcharges on premiums for coverage on a working spouse to encourage them to use their own employer's health plan.

The emphasis will be on behavior. Businesses will pressure employees to adopt healthier lifestyles and participate in programs to manage their chronic illnesses. Employers plan to apply financial penalties for those who don't participate in certain health improvement programs, and have come to realize risks must be managed not simply costs. The difference between a diabetic managing an illness in comparison to someone who doesn't seem to care, the cost may be 10 times higher.

Companies have come to the conclusion that penalties work better than rewards and are planning to increase them. Businesses can't base penalties or rewards on results, but they can discount rates for participation to avoid antidiscrimination laws. Higher premiums for smokers who refuse to participate in a smoking cessation classes, or wage earners who refuse to participate in wellness activities will result in decrease benefits in a health plan. Large companies may offer their own clinics to cut costs. To reduce rates and provide more convenience, smaller businesses may work closer together.

Attracting better educated employees is the primary goal. Insurers will help firms provide information to employees on cost-effective treatments and comparative pricing. Employers will also provide incentives such as lower co-pays or no deductibles to encourage workers to use recommended providers. Evidence shows that higher quality providers have lower costs and help employees return to work sooner.

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