

Special Edition

Economic Update

Like it or not, there will be more full body scanners at airports in the US, as well as overseas, to help in the fight against terrorism in the skies.

According to the Kiplinger letter, approximately 300+ scanners will be added at US airports this year to the 40 in use at 19 facilities around the country.

Security concerns will trump the privacy issues. The promise of catching another “underwear bomber” provides an incentive to install machines. **You can rest assured that there will be all kinds of public relation campaigns to assure travelers** that they have nothing to fear from scanners, but certain privacy issues will be invaded, whether we like it or not.

The sad part; privacy won't be the greatest concern for business travelers and frequent fliers. For many businesses, new delays and service cut backs spell worse news;

- Stepped up security measures will make it tougher to get around.
- We're going to have to leave much earlier to negotiate airports and make connecting flights, and;
- Be prepared to know your options; trains, nearby hotels – when plans get upset.

In reference to the age of technology; cyber criminals are coming out of the wood work looking for sensitive information on sophisticated mobile phones packed with tons of special apps and web access. With the wave of the new “smart phones”, phone attacks are rising; particularly in Asia and Europe. Criminal activity ranges from stealing information from smart phone memories, to relaying viruses from phones to their owners company computer networks.

My point, be very careful and make sure that you have every type of firewall protection possible, if any of your corporate or personal information is on your smart phone. The industry is predicting that mobile phone security will become a big business in the coming years, offering a variety of security options including a remote program that will wipe out all of the phone stored data if the phone is lost or stolen.

2010 started off with one set of tax rules. Unfortunately, it's going to end with a far different one. Congress played a political game of “wait and see” with the estate tax, allowing it to lapse for 2010 as well as other breaks.

Key write offs for business' lapse;

1. The 50% bonus for first year depreciation, and;
2. The higher ceilings on expensing.

Currently, companies can expense only \$134,000 of assets, that they have put in use in 2010, down from \$250,000 last year. The ability to claim expensing of depreciation phases out dollar for dollar, once over \$530,000 of assets are placed in service; down from \$800,000 in 2009.

The standard mileage rate for business driving is 50¢ a mile this year; a 5% drop in 2009 because of lower fuel cost. For medical, travel and moving, the rate is 16.5¢ a mile, down 7.5¢. The charitable driving rate remains at 14¢ a mile.

The late filing penalty for S firms and partnerships soars....\$195 per owner or partner, per month for up to 12 months. The previous monthly penalty was \$89. Currently, higher incomers don't lose any itemized reduction in personal exemptions, but the write offs will be trimmed again in 2011.

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No cost of living adjustments for social security beneficiaries this year. Therefore, there is no change in the social security wage base. **This is the first time since 1971.** It will stay at \$106,800 for 2010 because, by law, the taxable wage base can't rise if there is no cost of living expense. **The tax rates don't change either;**

- 6.2% for FICA tax.
- 1.45% for Medicare.
- For self employed tax players - \$15.3% on the first \$106,000 of their net earnings, and;
- 2.9% on any amounts above that.

In closing, employers have 2 deadlines;

1. They must notify all laid off workers about the COBRA subsidy extension, no later than February 17, 2010, and;
2. They must send a separate notice to workers who are eligible for retroactive coverage under COBRA.

Also, pay close attention to the administration's efforts to revamp worker classification rules. The administration plans to "weaken" a safe harbor for employers that present the opportunity to re-classify contractors as employees, and **they propose to end a ban on IRS issues of classification rules. Look out!** – Independent contractor trucking companies; **IRS wants you!**

QUOTE OF THE WEEK: **"Knowledge comes by taking things apart; wisdom comes by putting things together"**. (Author Unknown)