

WD&W

WALTHALL, DRAKE & WALLACE LLP

Accounting

CERTIFIED PUBLIC ACCOUNTANTS

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WHO'S NEWS

So much for the lazy days of summer; WD&W accountants are on the go!

Donna Jenkins was appointed Treasurer of WIN, Women in Networking, and **Paul Weisinger** helped create the ABV Assessment Tool, enabling aspiring business valuers to assess their competence prior to taking the ABV exam.

Jim Sprague and **Paul Weisinger** will be guest speakers at this year's Cleveland Accounting Show October 27th-28th, and **Judy Mondry** joined the Northeast Ohio U.S. Green Building Coalition.

Matt Stegmoyer passed sections one and two of the CPA exam, **Brian Daniels** successfully completed the Audit Section of the CPA exam with only one section remaining of the exam.

Lori Sullivan is now a certified QuickBooks ProAdvisor, and **Lauren Van Camp** was appointed to the Ohio Society of CPA's Members Advisory Council for the second year in a row!

Major congratulations to **Tom Scharf** and **Jim Sprague**, who both had children married on September 4th! Michael Scharf married Danielle Carter, and Melissa Sprague married Joe Fedak.



We also want to congratulate **Matt Stegmoyer** and his wife, Catie, on the birth of their second child, Adyline Grace!

Tom Scharf won a Divisional Club Championship at Canterbury Golf Club August 28th, and **Janice Paul-Canfield's** daughter, Rebecca, recently accepted her first full-time teaching job as a high school English teacher.



Dan Holben, treasurer for the N. Royalton Community Festival, assisted in setting up the parade and marched at the finish with several other members, wearing shirts that spelled out "THE" on the front and "END!" on the back, so the crowd knew the parade was over!

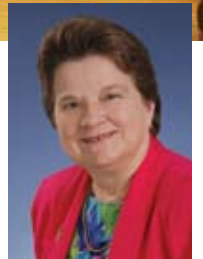


Back to School with Education Tax Breaks

By *Cindy Kula, CPA/PFS, CFP*



Tax breaks to help you pay educational expenses are commonly overlooked. Getting the most from the education tax incentives requires careful planning, particularly because of the interrelationship between many of the rules. The following are some of the more utilized and popular education tax breaks:



American Opportunity Tax Credit. For 2010, the American Opportunity Tax Credit provides a maximum credit amount of \$2,500 per year for all four years of college. Enacted by the American Recovery and Reinvestment Act of 2009 (2009 Recovery Act), this new credit temporarily replaces and enhances the HOPE credit and applies it to all four years of post-secondary education. The new credit can reach as high as 100 percent of up to \$2,000 qualified higher education expenses, plus 25 percent of the next \$2,000 of eligible expenses. This credit is subject to adjusted gross income phase-out limitations. Forty percent of the credit is refundable for those lower-income taxpayers with a tax liability smaller than the credit amount.

To qualify for the credit, the tuition must be paid on behalf of the taxpayer, the taxpayer's spouse or the taxpayer's dependent. An eligible student (for purposes of the credit) is an individual who is enrolled in a degree, certificate or other program leading to a recognized educational credential at an eligible educational institution. The student must be enrolled at least half-time and must not have been convicted of a federal or state felony for possession or distribution of a controlled substance. Study at many types of postsecondary institutions qualifies for the credit, such as programs for a bachelor's degree, associate's degree or another recognized postsecondary credential.

Qualified expenses must be for tuition and related expenditures. The 2009 Recovery Act expanded the definition of qualifying expenses to include "course materials." For this purpose, the term "course materials" means books, supplies and equipment needed for a course of study, whether or not the materials are purchased from the educational institution, as a condition of enrollment or attendance. Expenses incurred with respect to classes relating to sports or hobbies are not considered qualified expenditures, unless the courses are a part of the degree program. Many nonacademic fees are also not considered for purposes of the credit. Moreover, room and board costs are not included in the definition of qualified tuition and related expenses.

Lifetime Learning Credit. Before the 2009 Recovery Act enhanced the HOPE credit, the differences between the HOPE credit and the Lifetime Learning credit were more notable. The Lifetime Learning credit can be claimed for an unlimited number of tax years (and not just for the first two years of college as was the case of the HOPE credit before the 2009 Recovery Act). The Lifetime Learning credit equals 20 percent of up to \$10,000 in eligible education costs during the tax year. The Lifetime Learning credit is subject to phase-out rules.

Qualified expenses for the Lifetime Learning credit are similar to the enhanced HOPE credit. However, the 2009 Recovery Act did not expand the definition of the qualified expenses for the Lifetime Learning credit to include "course materials."

The Lifetime Learning credit may be applied to a non-degree program. For example, an individual who is enrolled in a non-degree program to improve job skills may be eligible for the credit. Additionally, the Lifetime Learning credit may be claimed if the student is not enrolled at least half-time. An individual who is taking just one class at a community college, for example, may be eligible for the credit.

Higher Education Deduction. This deduction has been extended through 2010. The higher education deduction is a temporary above-the-line deduction for qualified tuition and related expenses. Eligible expenses include those spent on behalf of the taxpayer, his or her spouse or dependents at a post-secondary institution. The college or school must be eligible to

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How to Report and Identify Phishing, E-mail Scams, and Fake IRS Web sites

Phishing

Phishing is a tactic used by scam artists to trick unsuspecting victims into revealing personal or financial information online. IRS impersonation schemes flourish during the filing season and can take the form of e-mails, tweets, or phony Websites. Scammers may also use phones and faxes to reach their victims.

Scam artists will try to mislead consumers by telling them they are entitled to a tax refund from the IRS and that they must reveal personal information to claim it. Criminals use the information they get to steal the victim's identity, access bank accounts, run up credit card charges or apply for loans in the victim's name.

Taxpayers who receive suspicious e-mails claiming to come from the IRS should not open any attachments or click on any of the links in the e-mail. Suspicious e-mails claiming to be from the IRS or Web addresses that do not begin with <http://www.irs.gov> should be forwarded to the IRS mailbox: phishing@irs.gov.

The IRS does not initiate taxpayer communications through e-mail, and it does not send e-mail requesting your PIN numbers, passwords or similar access information for credit cards, banks or other financial accounts.

If you receive an e-mail from someone claiming to be the IRS or directing you to an IRS site,

- Do not reply.
- Do not open any attachments. Attachments may contain malicious code that will infect your computer.
- Do not click on any links. If you clicked on links in a suspicious e-mail or phishing Web site and entered confidential information, visit the IRS Identity Theft page.
- Report the e-mail or bogus Web site to the IRS.

For sample phishing emails, as well as information on how to deal with identity theft, please contact us at 216-573-2330 or go to www.walthall.com/news.

Back to School with Education Tax Breaks *continued*

participate in the federal student loan program. The amount of the deduction depends on your adjusted gross income. You cannot claim the higher education deduction as well as one of the education tax credits; it is an "either/or" situation.

Qualified tuition and related expenses are generally the same as for the Lifetime Learning credit. Most nonacademic fees, such as athletic and student activity fees, are generally excluded. The maximum deductible amount is \$4,000 for individuals subject to adjusted gross income limitations.

Coordination. As you have read, there are many federal education tax incentives. All of the incentives must be coordinated; that is, you may not be able to take every one. You generally cannot use education expenses to claim a double benefit. Many taxpayers make genuine and honest mistakes when trying to coordinate the education incentives without help from a tax professional. These mistakes are very costly.

Looking ahead, there is a lot of talk in Congress about simplifying and possibly consolidating all of the educational tax breaks. President Obama has proposed making the American Opportunity credit (the enhanced HOPE credit) permanent. If you would like to explore how the education tax incentives can work for you and have us fully evaluate your situation, please do not hesitate to call. ♦

DISCLOSURE UNDER UNITED STATES TREASURY RULES - If this communication contains any tax advice, such advice is not intended or written by the practitioner to be used, and cannot be used by the taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer.



Many members of the WD&W family participated in the 2010 Summer Scurry on August 14th to raise money for cancer research through the PMP Research Foundation. The Foundation met and exceeded its expectations by raising \$71,640! Way to go team!

Paul Angart	Linda Reed
Susan Amoroso	Tom & Leanne Scharf
Christine Bade	(plus daughter,
Brian & Tanya Daniels (plus	Melanie, and
Brian's dad, Dave)	family dogs, Maggie and Charlie)
John & Donna Jenkins	Eric Schmidt
Cindy Kula	Kim Teague
Rick & Monica Lash (plus son, Jason)	(plus daughter, Dee Dee Spears), and Teresa Wisniewski

UPCOMING EVENTS

October

- 1st OSCPA Non-Profit Leadership Symposium
- 5th Breakfast Series, "Brand & Brand Identity"
- 22nd KeyBank Non-Profit Seminar. Guest Speakers: Janice Paul-Canfield and Judith Mondry

November

- 2nd NAWBO Breakfast Series
- 11th Employment Law Seminar – "Common Mistakes in Employee Classification"

See the www.walthall.com/news for more details.

TAX CORNER: Q & A

Question: Is my child's scholarship taxable?

Answer: Generally, scholarships are free from federal taxation. Scholarships are tax free so long as they are for a student's tuition. If the scholarship is for tuition and for other expenses, such as room and board, only that portion of the scholarship that applies to tuition is free from taxation. You must determine what percentage of the scholarship was applied to tuition and what percentage was applied to other expenses. Books, fees, and supplies are included in the IRS definition of tuition, so any scholarship proceeds that can be applied to these expenses are tax free.

Teaching and research stipends, a particularly common way to lower graduate school expenses, do not qualify as scholarships. They must be reported as income and they are subject to federal tax.