



## From the Desk of John F. Morrissey

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Tax Season 2010 has come to a close. We had a very good year. Our offices prepared more

than 1500 tax returns this year. Thank you to all of our returning clients; we are grateful for your continued patronage. We also extend a warm

welcome to all of the new clients. Those of you who engaged our services for the first time this year we trust that you had a good experience. To those few who did not return, for what ever reason, we still stand ready to serve you again in the future.

Now it is time to get back to work on helping all of our business clients improve their businesses. The recovery **IS** coming. We are seeing many of our clients with very positive improvements in their

businesses. We must be very astute in monitoring our business direction.

Our organization is very fortunate to have many talented professionals. We have many years of experience in assisting businesses develop a plan for growing their business, and a monitoring system for following the plan to success. Many of our services relate to compliance, taxes, reporting and human resource management. However, our main focus is in our consulting engagements which is about growth and success. Success is about what the business owner wants to accomplish; not someone else's definition of success.

In the next few months we will be in contact with all of our business clients to assess your needs. If you want to find out more of what we can do for you and your business, please contact us soon.

We must also be very mindful of tending to our "Stone Soup." That is working together as a community to help each other grow. In doing so, we too, will grow as part of our community.

Once again, thank you for your continued support of our organization. We appreciate your business and your friendship.

## Focus On The Community



### Discovery Center Museum Opens New Exhibits/Spaces in June

By Ann Marie Walker

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As a result of a multi-year capital campaign, Discovery Center prepares to open its expansion and new exhibits in June. Discovery Center will increase its size by about one third, or 15,000 square feet. The expansion will include new exhibit galleries, classrooms, outdoor courtyard and a 3,000 square-foot special events hall. Discovery Center and Burpee Museum are also sharing the cost to build a state-of-the-art 5,000 square foot shared traveling exhibit hall. Expansion highlights include:

#### More Spots for Tots

The Tot Spot gallery is an early childhood education gateway experience, designed to provide a stimulating and nurturing environment for play, and to support the development of infants, toddlers and pre-schoolers. Based on the concept that children's learning and personal growth is rooted in play, the 3,100 square foot space includes five new learning areas: "Baby Spot" where infants and toddlers can engage their senses to explore sound, texture and cause-and-effect with their caregiver; "Make It Go" featuring a train and depot, as well as a bigger Thomas the Tank Engine table; "Make It Flow" with several new water exhibits; "Make It Blow" where visitors can investigate how air lifts and carries objects; and a "Build It/Roll 'Em"



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## Roth IRA – Should You Convert?

By Kathy Pozzi

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The topic of converting a Traditional IRA to a Roth

IRA is even more important today, due to the tax law changes in 2010. While 2010 is the actual year that you will be able to convert, the income claimed can be deferred until 2011 & 2012. The IRS has given us the option to claim 50% of the conversion amount as income in 2011 and the remaining 50% in 2012. This is only for the tax year 2010. After 2010, the taxes will be due in the year of conversion. Here are a few things to consider if you are thinking about converting.

### Potential Advantages:

- 1. Not Required to Withdrawal at 70½:** A Roth IRA does not require its original owner to begin withdrawals at age 70 ½ like other retirement plans.
- 2. May Cost Less to Convert:** If your taxable income happens to be down because of a loss of job, major medical expense, etc. in the year of conversion, it may cost less to convert to a Roth IRA than in a normal year.
- 3. Lower Tax Bracket Today:** You are in the 10% to 15% federal tax bracket currently and you know that by the time you take the money out of your IRA you will be in a higher tax bracket.
- 4. Inheritance Consideration:** You have a large IRA and want to leave it for your children or grandchildren and you know that they will pay tax at a higher tax rate.
- 5. Earnings Can Be Tax-Free:** Convert an IRA account that has lost money now, and pay the tax on the lower value. Then, if your account recovers, the earnings are tax-free.

### Potential Disadvantages:

- 1. Congress Changes Its Position:** Congress changes its position and slaps a tax on all withdrawals for Roth IRAs or large balances in a Roth.
- 2. Congress Changes Its Position:** Congress changes its position and terminates tax-free growth in a Roth.
- 3. Lowered Tax Bracket:** Taxpayer winds up in a much lower tax bracket at retirement.
- 4. Penalty Possibilities:** Taxpayer uses funds from his IRA to pay additional tax on the conversion and winds up paying a 10% penalty on funds not converted.
- 5. Timely Conversions:** The retirement account goes DOWN in value and the tax payer does not (timely) reconvert back to the original IRA account.
- 6. You Need The Money:** You will need funds from the retirement account in less than five years.

One more thing to note: A Roth conversion may be undone. As long as the Roth funds are converted back to the original account before the Oct 15th of the year of conversion, then the conversion is not taxable. Also, the tax rates will probably go up after 2010, so it might not be a good idea to split the tax in 2011 & 2012.

If you are interested in converting your IRA into a Roth, please give your John Morrissey Accounting Professional a call to allow us to project any potential tax liability from a conversion. ♣



## File and Then File Again?

By Claire Geirat

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Annually, in January, you receive W-2s, 1099s and all those other papers to remind you to file an income tax return. You oblige the IRS and file a return, or have your accountant file your return. You then move on to more pleasant things and all is well and good in your life. That is, until, you receive something called a “corrected” or “amended” statement.

These corrected or amended statements can come at anytime in order to correct an error on a form previously completed and reported. An amendment must be made to a return already filed. Amended returns take months for the IRS to process, and understanding this process is not always easy.

Why does this happen? Well, a large amount of corrected forms that arrive to you or your accountant are filed by a bank, brokerage house, or other financial institution or planners. Many of the corrected forms are related to a REIT (Real Estate Investment Trust); a UIT (Unit Investment Trust); and/or other classification data with certain mutual funds. However, REITs and UITs are the more common investments that can cause confusion at tax time.

To add to the confusion, many clients are unaware of even having a REIT or a UIT in their portfolio. Some investment firms will file an extension with the IRS in order to have additional time to file the information and to pass it along to you. Some firms also let the investor know in advance, that they may or may not have final figures to them on time. They tell an investor to wait for a report labeled “figures are final.” On a positive note, final figures can make very little change or they can actually be in your favor. And, even more good news, there should be no fear in getting forms labeled as “corrected” or “amended.”

Generally speaking, if you have seen “corrected” or “final” reports in the past, you already know that you need to wait for those reports in order to file your tax return. If you are unsure of your portfolio holdings, ask your financial advisor. You may also ask if you will be getting two sets of year-end reports. By taking this simple step, you will be prepared for next year’s filing season. ♣

## In Memoriam

It is with great sadness that we share with you news of the passing of Evelyn “Ev” McQuillen on April 16, 2010. Ev was a tax preparer in our organization for 28 years.



## Should I Check My Withholding?

By Brigitte Mickey

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Yes. Absolutely. It is best to check your withholding; especially early in the year.

The amount you select to have withheld for federal and state income taxes will be itemized on each of your pay stubs or retirement statements. You should pay particularly close attention to the amount you are having withheld if:

- 1) You got a large refund on your 2009 tax return.
- 2) You had a balance due that was more than you could comfortably pay.
- 3) Your balance due included a penalty for underpayment.
- 4) You have changes in your life or financial situation that affect your tax liability.

If your tax accountant told you that you will receive a \$5,000 refund this year, would your face light up? I think most everyone would be happy about that. But should they? Well, that depends. If you are comfortable with waiting to receive your money until your taxes have been filed, then you really don't need to make any withholding changes. For example, some clients choose to use their refund as a vacation fund or to pay their property taxes. If, however, you would rather have access to your money throughout the year to pay monthly bills or save for emergencies, then you should make some withholding changes.

Neither choice is right or wrong, but you should choose the approach that best suits your financial circumstances.

It is easy to change your withholding. Ask your Human Resources representative for a new W-4 form or contact the person who manages your retirement account. To increase your withholding (so you owe less on April 15), either decrease the number of allowances you claim on Form W-4, line 5 or enter an additional amount that you want withheld from each paycheck on Form W-4, line 6. To decrease your withholding (you want more take home pay each pay period), increase the number of allowances you claim or decrease any additional amount you are having withheld. Note that you may not claim more allowances than you are entitled to on the Personal Allowances Worksheet on Form W-4. Please call our office if you need advice or go to [www.irs.gov](http://www.irs.gov) and click on "Withholding Calculator" under "Online Services."

Some life changes that affect your taxable income include marriage, divorce, a new baby, retirement or buying a new home. Changing jobs or collecting unemployment can also complicate your situation. Be sure to let your John Morrissey Tax Professional know before year-end if any of these changes apply to you. In addition to tax preparation after the year is over, we also offer tax-planning services all year long. ♣

- Is our *estate planning* in order? Not just insurance and an updated will, but a good plan to maximize the value of any size estate we might have.
- Are our savings goals clear for *retirement*? Or for *college educations*? Or *long-term medical care*? Are there any changed assumptions that might impact those plans?
- Have we completed a *personal financial statement*? This is a great tool for all of our financial planning.
- Is it time to take a closer look at our mortgage, credit cards, or other debt?

Likewise, there may be significant benefit to some fresh thinking for our **BUSINESSES**:

- How good is our *budgeting and planning* process? Are my business results predictable enough? Are the planned results good enough to meet my business objectives?
- Have I explored *outsourcing* sufficiently to know that I am spending my time in the wisest of places? What new approaches might we take to improve the long-term prospects for the business?
- Am I taking sufficient advantage of *new technologies* to make me efficient and drive new revenue opportunities?
- Are we are taking *unnecessary compliance risks* in our business? Are our human resources, payroll, and financial house in order?
- Are we getting the most from our *banking* relationship?

Importantly, the freshness of the spring season gives each of us another opportunity to *clean up our MINDS about the way we do business*, both at home and at our workplace. We get to look at whether we're headed the direction we intend. We get to ask whether we *really* know what we *think* we know? We get to determine whether it is time to throw out some old thinking, and replace it with some fresh perspective?

The Morrissey Family Businesses are dedicated to assisting our clients with precisely these kinds of questions...and precisely finding some answers. If your friends at John Morrissey Accountants, Staff Management, Market Dimensions, or MPower HRIS Solutions can be of assistance to you in your Spring Cleaning, please give us a call. We're ALWAYS happy to hear from you. ♣



## Spring Cleaning

By John J. Morrissey

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Many people go to great lengths this time of year to tackle a few spring cleaning projects around their home. Closets and carpets get cleaned. Windows get washed and opened up to let the fresh spring air into the house. That junk drawer finally gets some attention. A good deal of energy is spent in order to take advantage of the weather to gain a sense of organization and freshness.

Some of us may even extend this spring cleaning to our offices. Piles turn into files. Our recently finished tax return lets us close the book on the previous year. The smart ones among us even find a

way to get some of our old paperwork to a shredder. Again, a good deal of energy toward gaining some feeling of control and order.

But I wonder how many of us extend the spring cleaning idea to the things in our business and financial lives that need some attention. Maybe fresh files are less the answer than some fresh thinking. What value might come from some fresh ideas about how we do things?

Here are some quick ideas about the kinds of things in our **PERSONAL** affairs that might require some overdue attention:



“The only way of finding the limits of the possible is by going beyond them into the impossible.”  
— Arthur C. Clarke —

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To share ideas or suggestions, please contact John Morrissey.

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*A Morrissey Family Business<sup>SM</sup>*

**Focus On The Community...**

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featuring a crane to load materials, a truck to transport materials, a building block station, a ball hopper station and more! And finally, “Ginny’s House” where children can role-play family activities such as preparing food, taking care of “babies,” cleaning, sitting on the porch swing, and even making car repairs in the garage!

**Agriculture Touches our Lives Every Day**

Ag-Zibit is designed to inform the public about the sources of their food, fiber and fuel and help them realize that science, technology, engineering and math are essential to modern agriculture.

Visitors to Ag-Zibit will discover that agriculture is a major industry in the United States, especially in northern Illinois, and that agriculture is not only the source of food, but also many other products.

The exhibition will contain 17 hands-on, interactive exhibits all designed to highlight the importance of modern agriculture in the 21st century. Visitors can “drive” a real tractor, operate a combine, learn how farmers use GPS, milk a cow, gather eggs from a chicken coop, identify smells of a farm, and much more.

**The Good, the Bad and the Downright Ugly**

With the construction of the Woodward Exhibit Hall, to be shared by Discovery Center and Burpee Museum, Rockford

will have the opportunity to have exhibitions from around the world right in its own backyard! Recently, the museums announced their first joint exhibition for the hall...Grossology: The (Impolite) Science of the Human Body. Grossology will open October 2 and be on display through January 2, 2011.

Based on the best-selling book Grossology, this exhibition uses sophisticated animatronics and imaginative exhibits to tell you the good, the bad and the downright ugly about runny noses, body odor and much more. Take a “Tour du Nose” to explore 10 nasal features, including how your snoot acts as an air filter, a smell sensor and a mucus producer. Play the pinball game



“Gas Attack” by scoring off bumpers dressed up as food items that cause gas. Mimic the build up of acid indigestion by causing the “Burp Machine” to release a giant belch. Explore the role of the kidney in a virtual reality experience in “Urine: The Game.” Take a ride on the GI slide, climb a large-scale replica of human skin, and discover other mysterious ways your body’s biology does what it needs to do to keep you healthy.

So visit Discovery Center this summer and see all the incredible changes and enjoy both Tot Spot and Ag-Zibit. Then come back in October and get “grossed” out! ♣