



Willson & Pechacek, P.L.C.

Newsletter



General Edition

October 2009

Autumn Issue

The unmistakable crispness of the air and the rustling of the drying leaves tell us that summer is preparing to change into autumn.

Here at Willson & Pechacek, P.L.C., the change in the seasons reminds us that we will soon be preparing to begin the year's tax season, for which it is never too early to start planning (See Lee's article on summer

jobs and Roth IRAs, below). This December all of the members of the firm who work on tax returns will make their annual migration to Des Moines to attend a three-day seminar on the year's changes to the tax code.

Other changes that we are watching include the new requirement for sales of homes with septic systems (See Karl's article, pg. 3) and the possibilities of federal

changes in Social Security (See the article on page 2).

As we strive to keep you up-to-date on all of the relevant changes, we hope that you enjoy this season's newsletter.

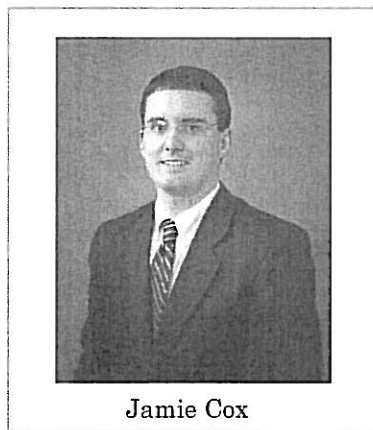
- Frank Pechacek

Willson & Pechacek Attorney Named One of THE NONPAREIL's "Twenty Under Forty"

Council Bluffs newspaper, The Daily Nonpareil, recently named Willson & Pechacek attorney, Jamie L. Cox, as one of its twenty extraordinary young professionals under the age of forty.

The newspaper selected 20 young professionals from Council Bluffs and southwest Iowa who "make a consistent effort to go above and beyond their professional and personal lives to secure a better future for their families and ours."

Jamie was recognized for his longtime involvement in youth soccer, including serving as a coach, league representative and



Jamie Cox

board member in the Council Bluffs Youth Soccer Association.

Jamie practices in the areas of civil litigation including personal injury, employment, collection and general commercial law.

by Karl Schmidt

Summer Jobs and Roth IRAs Create a Planning Opportunity

If your child or grandchild had a job this year, consider making a gift of a Roth IRA contribution for him or her.

In most cases, a child who received compensation during the year can contribute (or parents or grandparents can gift a contribution on their behalf) the lesser of his or her compensation for the year or \$5,000 to a Roth IRA for 2009. However, any amount gifted does count toward the \$13,000 annual gift exclusion (\$26,000 for couples).

Consider the following three benefits from making such a contribution:

- 1) Roth IRA funds can be distributed penalty free to pay for

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Cell Phone Do-Not-Call Registry a Myth

Contrary to numerous e-mails and rumors, there is no need to register your cell phone number with the national Do Not Call Registry.

A persistent urban legend, circulating via e-mail since 2004, states that cell phone users must register their cell phone number with a special registry to prevent telemarketers from calling them on their cell phones. These e-mails are wrong and registration is un-

necessary, according to the U.S. Federal Trade Commission, which administers the National Do Not Call Registry. Existing laws already place strong restrictions upon telemarketers' access to cell phones.

If you have already done so, there is no harm in registering a cell phone number with the Do Not Call Registry (provided that the telephone number or website was actually operated by the government's Do Not Call Registry).

by Brett Ryan

Do Not Call Registry

If anyone desires to place their land-line on the Do Not Call Registry, they can do so by calling 1-888-382-1222, or by registering on-line at: www.donotcall.gov

Changes in the law in 2007 prevent registrations with the Do Not Call Registry from ever expiring, so there is no need to renew a registration once made.

Social Security Payments and Medicare Part B Premiums Not Projected to Increase in 2010

Only one year removed from the largest single-year increase in over two decades, Social Security payments are not projected to increase in 2010.

This would mark the first time since Congress adopted automatic increases in 1975 that Social Security beneficiaries will not receive any increase, and it comes on the heels of the large 5.8% increase in payments in 2009. Congress will make its official announcement on any 2010 increase in October, but most experts expect no increase.

This result would occur because there is not projected to be an increase to the cost of living adjustment (COLA) in 2010. COLA is determined by consumer prices, which have fallen thanks in large part to the decline in energy prices. In addi-

tion, inflation has remained very low. This combination will likely produce no increase in COLA and, subsequently, no increase in Social Security payments.

One concern for seniors is that increasing health care costs will continue while the amount of Social Security they receive remains the same. Medicare Part D premiums, which cover prescription drugs, are scheduled to rise slightly in 2010. These costs will have an impact in cutting into those Social Security payments being received by seniors.

Fortunately, most seniors receiving Medicare benefits will not see a rise in the cost of their Medicare Part B premiums, which cover outpatient health care costs such as doctor's bills. Federal law prohibits an increase in Medicare Plan B costs if there is not an increase in COLA.

*by Kyle Marcum**

More Information on

Social Security

Information on Social Security and Medicare benefits is available in print or electronically. To order free or low-cost government publications on Social Security call 1-888-878-3256 and ask for ordering information. To get this information via the internet, visit:

<http://www.pueblo.gsa.gov/> and click on "Federal Programs."

For general information on Social Security and Medicare benefits, visit <http://www.ssa.gov/pubs/> and <http://www.socialsecurity.gov>

**Kyle Marcum is an associate attorney. Kyle's full bio will appear in the next newsletter.*

Inspections Required Prior to Sales of Homes with Septic Systems After July 1, 2009

Beginning on July 1, 2009, a new law requires that all buildings with a septic system have an inspection prior to most types of sales.

Before legal title to any residence or occupied structure serviced by a "private sewage system" (i.e., a septic system) may be transferred, the seller must obtain a satisfactory inspection by a qualified inspector or qualify for an exemption to the inspection requirement (see text box).

Purpose

The purpose of the inspection requirement is to eventually bring all septic systems in the state into compliance with the law. By law, all septic systems must have both a primary tank as well as some type of secondary filtration system, most commonly a septic leech field. All septic systems that lack this secondary filtration system are currently illegal and are never "grandfathered" in. However, the Iowa Department of Natural Resources estimates that 100,000 residences and buildings have septic systems that do not meet this requirement. Due to the tremendous number of

non-compliant septic systems as well as the substantial cost of upgrading, the Iowa legislature decided that the best way to remedy this situation is to require inspection and compliance prior to transfer of legal title.

What is required

The inspector will pump and inspect the entire system, but the key requirement is that the septic system is working and has a secondary filtration system.

Keep in mind that these inspections are conducted by the same people that make a living selling and installing septic systems.

The fact that a septic system is old or undersized does not necessarily prevent a sale under the new law, although these facts will be disclosed to the buyer in the inspection report.

In order to become a qualified septic system inspector, the inspector must have experience with septic systems, so virtually all of the inspectors will be the same

people who profit from installing new systems. Because of this inherent conflict of interest, you should make sure that you fully understand if an upgrade is actually required before agreeing to pay for a new septic system; especially if your septic system already has a secondary filtration system but an inspector tells you that you "should" upgrade.

The typical charge for this inspection is expected to be around \$350-450 (or less if the system was pumped recently).

by Karl Schmidt

Exemptions:

Several types of transfers are exempt from the inspection requirement, including:

- ♦ Transfers between parents, grandparents, children and grandchildren
- ♦ Transfers for less than \$500
- ♦ Most distributions of property from an estate, trust, or conservatorship.
- ♦ Most court-ordered transfers
- ♦ Transfers between joint tenants and tenants in common.

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qualified higher education expenses, meaning tuition at a post-secondary educational in-

In addition to retirement, a Roth IRA can be used for higher education or the purchase of a first home.

stitution, as well as room and board, fees, books, and supplies. However, the earnings generated by the Roth IRA will likely be taxable.

2) As an alternative to helping to pay for college, your child or grandchild can distribute Roth IRA funds penalty free to pay up

to \$10,000 toward first time homebuyer expenses. Similarly, the earnings generated will likely be taxable; however, for this provision, if the Roth IRA is held beyond five years, then the earnings will be tax free.

3) If there is any money left over after college and the first home, your child or grandchild will receive the benefit of a head start in a tax favored retirement plan. They can withdraw the funds and all of the earnings tax-free after they turn age 59 ½.

In summary, a child or grandchild with earned income presents an opportunity to set up a retirement account for them with multiple benefits.

by Lee Rankin

Roth vs. Standard IRAs

The primary distinction between a standard IRA and a Roth IRA is when the taxpayer gets the tax break.

In a standard IRA, the taxpayer receives an immediate tax deduction for the amount contributed, but will pay tax on the increase in value when the IRA is withdrawn. Conversely, for a Roth IRA, there is no immediate tax deduction, but the entire amount is non-taxable after the taxpayer reaches the age of 59½. Thus the primary consideration in choosing between them is whether the taxpayer will benefit more from a tax break now or at the time of retirement.

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