

**Piper Pension & Profit Sharing
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The Economy

The Economy is still the number one concern of most Americans and small businesses. The Economy began to improve this year, although many sectors are still weak.

Administration Fees: Because of the Economy, *we did not raise our fees* for plan years ending in December 2008 through November 2010. Due to rising prices we will be increasing our fees by a modest amount. As a small business we understand the problems faced by our clients, who are exclusively small businesses, and yet we must stay in business ourselves.

EGTRRA Restatements: Defined Benefit Pension Plans (other than plans established starting in the Summer of 2010) must be restated in their entirety for EGTRRA and, if necessary submitted to the IRS for a determination letter by April 30, 2012. To avoid last minute issues, this means that defined benefit plans should really be restated by the end of 2011. We will be sending a separate letter to our clients regarding this process.

Inflation/Deflation: My earlier warnings about inflation being the result of the Federal Reserve pumping money in the system continue to come true. The official cost-of-living indices deliberately do not reflect certain important necessities of life such as energy and food. A good indicator of inflation is the value of the dollar against other currencies. The best way to protect your investments against inflation is to hire a good investment advisor.

Electronic Filing of Form 5500

Our experience with electronic filing of Form 5500 for Plan years beginning in 2009 was best expressed by the new nickname for the EBSA electronic filing program, "ESLOW". Everything took longer than expected and, for some filers, came to a complete halt for unexplained reasons. Our second to last filing on October 15, 2010 took almost five hours of my time. Our last filing was completed at exactly 5 p.m. The process would have been much worse if we had not been able to file the forms on your behalf as otherwise *you* could have been dealing with the EBSA online and by email. The EBSA considers the 2009 filings a success since only about 200,000 filers missed their deadlines.

The only good news was that we were able to stay on top of all Form 5500 deadlines even though it felt like surfing a Tsunami at times. I have high hopes that the 2010 Form 5500 electronic filing won't stink as much.

Form 5500-EZ Filings

The good news is that starting with the 2009 Form 5500-EZ filings, the IRS eventually assumed the responsibility of processing the filings. The bad news is that the IRS is much less tolerant of mistakes (except for their own) and missed deadlines (except for their own). It has become harder to persuade the IRS to reduce or eliminate late filing penalties as they assume that taxpayers are guilty.

Since you are responsible for filing Form 5500-EZ, you are responsible for providing us what we need to prepare it for you in a timely manner. We always try to follow-up, but we are not responsible if our letters are left unopened or the forms we send you are left unfiled.

And always send any form, communication, or payment of any significance to the IRS by certified mail. That little green proof that the letter was sent by certified mail on a particular date is more valuable than a \$1,000 bill.

Contribution Deadlines

Even though the deadline for making a required contribution to a defined benefit pension plan is 8-1/2 months after the Plan Year end (if the plan sponsor also files for an extension to file its tax return), it is strongly recommended to both make the contribution sooner than the deadline and, once made, to notify us of the dates and amounts of contributions. It becomes difficult to manage the deadlines for all of our clients if too many wait until the last minute.

Electronic Payment of Tax Withholding

The IRS has eliminated the 8109-B coupon used for years for income tax withholding by employer plans. While minor amounts totaling less than \$2,500 can be paid with Form 945 by January 31st, this is not generally going to be useful. Almost all income taxes withheld must be done electronically. We will not be able to help you with this. Either your CPA, payroll service, or another service we are checking out must be used.

Final Note. Always be polite to old ladies, IRS agents, and men carrying shotguns. Be very polite to old lady IRS agents carrying shotguns.

Please call me if you have any questions.

