



## Online Advisor – January 2012

### Major Tax Deadlines For January 2012

January 17 - Final 2011 individual estimated tax payment is due, unless 2011 tax return is filed and taxes are paid in full by January 31, 2012.

January 31 - Employers must provide 2011 W-2 statements to employees.

January 31 - Payers must provide 2011 Form 1099s to payees. (Brokers have until February 15 to provide Form 1099-B and consolidated statements to customers.)

January 31 - Employers must generally file Form 941 for the fourth quarter of 2011 and pay any tax due.

January 31 - Employers must generally file 2011 federal unemployment tax returns and pay any tax due.

**NOTE:** Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

**Payroll tax deposits:** Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

\* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

\* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

## What's New in Taxes

### Last-minute 2011 deal reached on payroll tax cut

On December 23, 2011, Congress finally approved a two-month extension of the payroll tax cut for American workers. The agreement was reached after weeks of partisan bickering. Though both



Democrats and Republicans wanted a one-year extension of the tax cut, they could not agree on how to pay for a year-long extension and settled on a paid-for two-month extension.

The new law extends the 4.2% social security tax on wages through February 29, 2012. Without this extension, the employee tax rate would have gone to 6.2% on the first \$110,100 of wages earned in 2012.

The law also extends benefits for the long-term unemployed for two months and prevents a scheduled cut in fees paid to Medicare providers from taking effect January 1, 2012.

These extensions will be paid for by an increase in fees charged by government-backed mortgage companies (Fannie Mae and Freddie Mac) for new home loans.

Included in the agreement is a requirement that President Obama make a decision within 60 days on the construction of the 1,700 mile Keystone oil pipeline.

Finally, the agreement calls for a House-Senate conference committee to negotiate an extension of the payroll tax cut through the end of 2012, as well as a longer-term extension of unemployment benefits and the Medicare reimbursement to doctors.

### **Don't overlook deductions for charitable work**

Many taxpayers give much more than just cash to their favorite charity. Many also provide their time, travel, meals, and other "out of pocket" expenses in order to assist the charity in doing good work. And while you can't take a charitable deduction for your time, you are allowed to deduct other expenses incurred in support of a charity, such as vet bills for your local humane society, or wood and nails for a "habitat" charity.

Let's examine your house of worship. It's possible for members to deduct evangelism travel expenses, even if the charity (a church in this example) never initiated, controlled, supervised, or assisted with the trips. The church fostered missionary work in general. Before the trip, the church provided the taxpayers with letters of commendation serving as introductions to other interfaith groups during the trip. And after the trip, the charity publicized the member's efforts to the other congregations. This allowed the taxpayers to deduct mileage at the prescribed IRS rate, air fare, lodging, and meals while on their missionary trip.

Consider the potential deductions for those taxpayers involved as board members to a charity, or simply significantly involved. In a recent decision, the Tax Court noted "control" by the charity is only one of the factors to be considered. You don't have to necessarily be controlled or directed by the charity to make your deductions stand up. But there should be a strong affiliation with the charity, and the taxpayer must be accountable to the charity.

There are recordkeeping requirements. Noncash contributions greater than \$250 must be acknowledged by the charity. The taxpayer will likely have to request this from the charity with a simple form, one which the charity will be happy to complete in order to secure your deduction and advance the mission of the charity.



## **New Business**

### **IRS announces business mileage rate for 2012**

The IRS recently announced that the mileage rate for business driving in 2012 will be 55.5¢ a mile. The rate can be used for cars, vans, pickups, and panel trucks.

Companies that don't want to keep track of the actual costs of using a vehicle for business purposes may use this standard mileage rate instead. An annual study of the fixed and variable costs of operating an automobile is used to determine what the standard mileage rate will be for a given year.

In addition to the mileage rate, a separate deduction may be claimed for parking fees, tolls, interest relating to the purchase of the automobile, and state and local personal property taxes.

The standard business mileage rate can't be used for automobiles used for hire (e.g., taxicabs) or for fleets of automobiles used simultaneously by the taxpayer. Nor can the standard rate be used if the vehicle was previously depreciated by other than the straight-line method, including using bonus depreciation or the Section 179 deduction.

When the business mileage rate is used, depreciation will be considered to have been allowed at a rate of 23 cents a mile. This depreciation reduces the taxpayer's cost basis in the vehicle.

## **Make your company a good place to work**

Studies have consistently shown that employee compensation, although important, is not the primary factor that makes workers stay at a company. It's not all about the money. In fact, some firms that provide stellar compensation packages suffer high turnover, low morale, and dwindling market share. Others - including smaller companies that may not offer tip-top benefit packages - maintain a loyal and dedicated workforce that regularly contributes to the company's success. In fact, many studies show that happy workers provide more efficient production, better customer service, and greater innovation. They're also less likely to quit or call in sick.

What factors could make your company a better place to work? Here are four keys.

\* **Respect.** Show employees that they matter by providing them with necessary training, acknowledging outstanding work, and creating a healthy and upbeat workplace.

\* **Fairness.** Treat employees equitably. This applies, of course, to hiring and promotion decisions, but might also include sharing the firm's success through a structured bonus plan.

\* **A sense of pride.** Most people enjoy working with a team that accomplishes something significant. Create this type of work environment and you'll foster company loyalty. Strive to make everything you do - and everyone you employ - an integral part of the firm's mission.



\* Opportunities. No one looks forward to a dead-end job. Give your workers an adventure to anticipate. Find ways to expand their horizons. For example, you might provide cross-training to develop new skills or encourage innovation.

Even if you can't offer the best compensation package on the planet, satisfied workers can help propel your company forward. And they'll let their talented friends know that your company is a great place to work.

## **What's New in Finances**

### **Social security benefits increase for 2012**

For the first time since 2009, those receiving social security benefits will get an inflationary increase in their monthly benefit. Benefits paid in 2012 will increase by 3.6%. There had been no increase in the previous two years because inflation was too low.

The cost-of-living adjustments to social security benefits began in the 1970s and since then have averaged 4.2% annually. Monthly social security payments average \$1,082 or \$13,000 a year. According to the Social Security Administration, most retirees rely on social security for a majority of their income, and many depend on it for 90% of their income.

### **Resolution 2012: Put your tax and financial house in order**

The only effective way to control and conquer your tax and financial issues is to review them throughout the year. And what better way to kick off the new year than to tidy up your financial and tax house. Here are some tips to get you started.

- \* Identify your tax opportunities for 2012. There are many credits and deductions available to you in such areas as retirement, education, home ownership, and child care. Identify those that will reduce your taxes, and make sure to qualify for all of the deductions and credits that are available to you.
- \* Plan your portfolio for 2012. Take the lower tax rates on both dividends and long-term capital gains into account as you review your portfolio for 2012 changes.
- \* Rid yourself of "stuff" you don't use. Are you paying for a cell phone you rarely use? A magazine you never read? A mail-order video service you forgot about? An extra cable box for that basement TV you never watch? A membership to a gym you rarely attend? If so, now is the time to dump those wasted services and pocket the cash.
- \* Plan for your retirement. Are you putting aside enough money for your retirement? Most of the available retirement programs allow you to put this money away while reducing your current taxes.



Does your employer match some of your 401(k) contributions? Then consider making at least that much of a contribution in order to maximize the benefit of your 401(k) plan.

- \* Get a grip on your debt. Take a look at your current debt, especially your credit card debt. Consider transferring a balance on a high interest card to a lower interest credit card. Remember that personal interest isn't deductible (such as credit card interest and auto loan interest), so you might want to consider paying off that debt with a lower-rate deductible home-equity loan.
- \* Get that new filing system started now. Purge your 2011 files. Destroy documents that you don't need. Create new files for your 2012 documents. Keep a tax and financial calendar that shows all deadlines for making payments and filing returns. And if you don't have a filing system, create one in order to organize and locate your tax and financial records.
- \* We can help. These are only a few of the many things that you can do to get your financial house in order. If you need help on any of these, or would like additional suggestions, give us a call. We're here to help you make the best financial choices and tax decisions.

## **Take a Break**

### **What they say about government...**

"Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."

- Ronald Reagan

"I don't make jokes. I just watch the government and report the facts."

- Will Rogers

"A government which robs Peter to pay Paul can always depend on the support of Paul."

- George Bernard Shaw

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.