

Newsletter - April 2011

Robin J. Walling, EA
dba Walling's Accounting & Tax Service

309 Maxey Street * Walterboro, SC 29488

Phone: 843-538-8786 * Fax: 843-538-4722

Mobile phone: 843-893-8065

E-mail: robinw@wallingsaccounting.com

Website: www.wallingsaccounting.com



"Going Green"



We see, hear, and read every day that the world is becoming more environmentally conscious and taking steps to "go green." While many of these may be out of reach for smaller businesses, there are several things that even small businesses can do to head toward going green.

- **Recycling.** Most communities these days provide recycling centers. Therefore, businesses should find it fairly easy to provide internal receptacles and to transport or purchase recycling pick-up services for such recyclables as paper (including shredded), newspapers and magazines, aluminum cans, and plastic bottles.
- **Installing energy-efficient light bulbs.** Compact fluorescent light bulbs are more energy-efficient than incandescent bulbs, offering a greener alternative. Also, watch for the next generation of commercial-use energy-efficient LED (light-emitting diode) bulbs. While LED pricing currently is rather high, LED bulbs typically use one-tenth the power of traditional light bulbs and last up to 20 times longer. Also, as volumes increase, prices should fall.
- **Going smoke-free (or tobacco-free).** One way for businesses to create a cleaner, healthier environment is to go smoke-free. This might involve eliminating smoking indoors, while providing limited smoking areas outside; or a business might go totally smoke-free, prohibiting smoking anywhere on the premises - indoors or outdoors. Further, a business might offer its employees complimentary or discounted programs to assist them in their efforts to quit smoking.
- **Going "paperless."** While most would agree that going totally paperless probably is unachievable, many companies already have begun to make progress in decreasing the amount of paper they use. To reduce paper, consider offering electronic portals to clients or utilizing other electronic means of sharing and working with data.
- **Offering "green" shopping bags.** As you shop these days, you will see that many stores are selling reusable shopping bags. Consider distributing to your customers, clients, and prospects a green shopping bag with your business logo. You take a step toward environmental consciousness, while garnering some publicity at the same time.

These are just a few of the steps a small business can take toward "going green." The benefit to your business includes energy cost savings and maybe a bit of positive publicity, plus making a contribution to a healthier environment.

Stock basis reporting begins this year

Beginning this year, your broker will track the basis in stocks you purchase. When you sell your shares, the basis will be reported to you — and the IRS — on the stock-sale statement you receive at the end of 2011.

Hold off breathing that sigh of relief. You'll still have work to do. Why? Because there are two methods you can use to calculate the basis in your stocks, and you'll want to use the one that generates the best tax result for you.

Generally, your basis in stocks you purchase is the cost of the stock plus commissions or other fees. When you sell all your shares, that's the amount you use to compute your gain or loss.

But say you buy shares of the same stock on different dates. When you later decide to sell, your broker will typically calculate your basis by assuming you're selling the shares you bought first. That's the first-in, first-out method.

However, you can instead choose to identify the shares you want to sell, which could let you manage the amount of your gain or loss.

To employ this "specific identification" method, you'll need to select the stocks you're selling before you place your order, and follow up by getting a confirmation from your broker. Keep the information to verify that the basis is reported correctly at the end of the year.

Though the new basis reporting rules may help simplify your recordkeeping, your investment decisions have tax consequences. If you need more information or assistance, contact us.

Quickbooks 2008 – As of May 31, 2011 Intuit no Longer Supports Payroll

Discontinuation of QuickBooks 2008 Services and Support

Live technical support and business services—including Intuit QuickBooks Payroll—**will be discontinued for QuickBooks 2008 on May 31, 2011.** If you are using QuickBooks 2008 and would like to continue to use your QuickBooks payroll service, you will need to upgrade to a newer version of QuickBooks. If you do not upgrade before May 31, 2011, you can expect:

- Your payroll tax calculations will be incorrect.
- You will be unable to send payroll, including direct deposit.
- Your payroll subscription will be deactivated.

If you use any other QuickBooks services such as online banking, you will also need to upgrade. "UPGRADING" We do not recommend downloading QuickBooks 2011 from the internet. We have had a few clients with problems and our computer technician has dealt with similar problems. You can buy it off the shelf or order the hard copy online and have it shipped to you.



Bonus Depreciation for Businesses

As the economy picks up, business begins to expand, and the bottom line starts to improve. But, quite often, the tax bill goes up as well. However, an excellent way to reduce that tax bill is through the use of bonus depreciation. Bonus depreciation is available for qualified property in the year the property is acquired and placed in service. Bonus depreciation is not prorated; therefore, it doesn't matter when during the tax year the property was placed in service. So, even property placed in service on the last day of the tax year is eligible for the full applicable amount. Bonus depreciation is available for qualifying vehicles via an \$8,000 increase in the first-year luxury auto depreciation limit.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Relief Act) provides for 100% first-year bonus depreciation (i.e., effectively writing off the entire cost of the asset in the year placed in service) for qualified property that is purchased and placed in service after September 8, 2010, and before January 1, 2012 (January 1, 2013, for certain aircraft and long-production-period property). Prior to this legislation, the maximum bonus depreciation allowance percentage had been 50%. Note the 100% first-year bonus depreciation rules apply for both regular tax and AMT purposes, so no adjustment is required for AMT.

To be eligible for bonus depreciation, the property must meet three broad criteria:

1. The asset must be qualified property (defined below),
2. The original use must commence with the taxpayer, and
3. The property must be acquired and placed in service before January 1, 2012 (January 1, 2013, for certain aircraft and long-production-period property).

Qualified property must also meet one of four definitions:

1. The asset is eligible property with a recovery period of 20 years or less.
2. The asset is depreciable computer software.
3. The property is water utility property.
4. The asset is qualified leasehold improvement property.

The term original use generally means the first use of the asset. Simply put, the asset generally must be new, rather than pre-owned; however, there are some exceptions. New property initially used by a taxpayer for personal use and subsequently converted to business use meets the original-use requirement. Property acquired for use in a taxpayer's business that was previously used by another taxpayer does not qualify regardless of how the previous owner used the property (i.e., for business or personal use). Capital expenditures to recondition or rebuild acquired or owned property satisfy the original use requirement, but purchases of reconditioned or rebuilt assets do not qualify. The determination of whether an asset is reconditioned or rebuilt (i.e., used) is a question of fact. However, an asset that contains used parts will not be considered used if the cost of the used parts is 20% or less of the total cost.

The time to take advantage of the 100% first-year bonus depreciation provision is limited. So, please contact us to discuss the benefits of bonus depreciation or any other tax compliance or planning issue.



Enforcement

Credit and debit card companies will issue 1099s on payments made in 2011 to merchants. Third-party networks such as PayPal will have to give 1099s to payees with over 200 sales transactions and more than \$20,000 in sales volume annually.



Energy Tax Credits

The tax credit for energy saving home improvements is less juicy in 2011. The credit is now just 10%, down from 30%, and the previous \$1,500 ceiling falls to \$500. There also are caps on many new items: No more than \$150 can be claimed for furnaces and water heaters, \$200 for windows and \$300 for biomass fuel stoves. The credit is no longer allowed for payments financed with state or federal subsidies. Credits claimed in prior years, including 2009 and 2010, will count against the \$500. The 30% credit for alternative energy systems, such as solar panels, is not cut back.

CHANGES IN FORM W-9

The IRS has revised the Form W-9 as of January 2011.

Go to <http://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=3> for the revised copy. Please replace the old form sent in your yearend packet with the NEW Form W-9.

Update on reporting employer-sponsored group health plan coverage



Notice 2011-28 provides interim guidance on informational reporting to employees of the cost of their employer-sponsored group health plan coverage. This informational reporting is required under § 6051(a)(14) of the Code, enacted as part of the Affordable Care Act to provide useful and comparable consumer information to employees on the cost of their health care coverage. This reporting to employees is for their information only, to inform them of the cost of their health care coverage, and does not cause excludable employer-provided health care coverage to become taxable. This notice provides interim guidance that generally applies beginning with 2012 Forms W-2 (that is, the forms required for the calendar year 2012 that employers generally are required to furnish to employees in January 2013 and then file with the Social Security Administration (SSA)). Employers are not required to report the cost of health coverage on any forms required to be furnished to employees prior to January 2013. See Notice 2010-69. However, any employers that choose to report earlier (on the 2011 Forms W-2 generally furnished to employees in January 2012) may look to this notice for guidance regarding that voluntary earlier reporting.

Identity Theft – How to prevent it from happening to you

- Periodically check your credit rating with Experian, Transunion, and Equifax. You can check each one free once a year at www.annualcreditreport.com
- Do not carry your social security card with you, and never give out your ssn unless there is legitimate reason.
- Think twice before giving anyone personal data.
- Shred papers with your bank account numbers or other personal information.
- Do not provide personal information on the phone unless you made the call.
- Delete suspicious e-mails without opening them.

What are you doing with your income tax refund?

Here are several suggestions!

1. Pay down debt.
2. Build an emergency fund.
3. Fund your IRA.
4. Contribute to a 529 plan.

DUE DATES

April

- 15th Payroll Tax Deposits***
- 15th Business Licenses***
- 18th Individual Income Tax Returns***
- 18th Estimated Income Tax***
- 20th Sales/Hospitality Tax***
- 30th Quarterly Reports***
- 30th IFTA Reports***
- 30th PT-100***

May

- 16th Payroll Tax Deposits***
- 20th Sales/Hospitality Tax***

June

- 15th Payroll Tax Deposits***
- 20th Sales/Hospitality Tax***
- 30th PT-441 "Motor Carriers"***