

Newsletter - January 2011

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Our thoughts turn gratefully to those who have made our business possible. And in this spirit we say, simply but sincerely.....From all of us here at Walling's Accounting & Tax Service, LLC, "Thank You and Best Wishes for the Holiday Season and a Happy New Year."

From Robin, Karen, Carolette, and Kathy

2011 Mileage Rates

Charity Miles ~ 14 cents
Medical Miles ~ 19 cents
Business Miles ~ 51 cents

ROTH conversions in 2010

Before 2010, only taxpayers with incomes under \$100,000 could convert a regular IRA to a Roth by paying tax on the amount converted.

Beginning in 2010, any taxpayer regardless of income, can convert to a Roth by paying tax on the amount converted. In 2010 there is a special opportunity allowing conversions in 2010 to be taxed $\frac{1}{2}$ in 2011 and $\frac{1}{2}$ in 2012, based upon the taxpayer's election.

Making Work Pay Credit

Available for 2010; however, this is the last year. \$400 per person, \$800 on a joint tax return but earned income is the qualifier.

The time to get organized is now! Begin accumulating tax information today.

After the first of the year, watch your mail and collect the following items:

- W-2 Forms, including your last pay stub for vital information
- 1099's-Interest, dividends, retirement, Social Security, unemployment compensation.
- 1098-Mortgage Statement, including real estate taxes paid.
- Brokerage Statements-Basis information on assets sold.
- Purchase and sale information on assets sold.
- Child Care Provider information - name, address, social security number or ein of payee.
- Records on any Small Business or rental property you owned.
- K-1's -Partnership or Sub Chapter S Corporation ownership.
- IRA year-end statements.
- Any records for other income received.
- Records for student loans or tuition fees statements.
- Details on all noncash donations greater than \$500 - include date, place donated, fair market value and original cost.
- Energy Saving home improvements-storm windows and doors, roofs, heating and a/c, etc.
- Direct Deposit Information-for anticipated refunds to be automatically deposited into your account.

Changes in employer provided health care coverage

Starting in 2010, a small firm with 10 or fewer full-time-equivalent workers and average wages under \$25,000 gets a credit for 35% of the lesser of what it pays for employee coverage or the average group premium for smalls in the firm's state.

The percentage falls for companies with more employees and higher pay, and no credit is allowed to firms with 25 or more workers or average annual pay of \$50,000 or more.

Exempt organizations will have to file two tax forms to claim the credit: Form 8941 to calculate the amount of the credit and Form 990-T to get a refund of it.

Social Security

Because there is a no cost-of-living increase in benefits in 2011, the wage basis of \$106,800 is unchanged.

Our final tax reminders for this year so you don't miss any tax breaks

Check your flexible spending account balance. You must clean it out by Dec. 31 if your employer still has not adopted the 2 1/2 month grace period that IRS now permits. Otherwise, any money remaining in your account is forfeited. Buy over the counter drugs this year. For purchases after 2010, flex plans and HRAs can't reimburse the cost of such medications. Payments will be allowed for prescriptions and insulin only. Ditto for payouts from health savings accounts. Even if your FSA uses the grace period so expenses incurred before March 15, 2011 can qualify as 2010 expenses, that rule does not apply to over-the-counter medicines. (If your flex plan uses a debit card, you have until Jan. 15, 2011 to make the purchase.)

And if you are charging deductible items, make sure you know the rules: For charges that you make with retail store credit card, you are allowed to claim the deduction for the item only in the tax year in which you pay the bill. For transactions made with a bank credit card, you can take the deduction in the tax year that you charged the goods, even if you pay the bill next year.

Payroll Tax Cut to Boost Take-Home Pay for Millions of Workers!

Millions of workers will see their take-home pay rise during 2011 because the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provides a two percentage point payroll tax cut for employees, reducing their Social Security tax withholding rate from 6.2 percent to **4.2 percent** of wages paid. This reduced Social Security withholding will have no effect on the employee's future Social Security benefits.

A lot of people do not recognize opportunity because it usually goes around wearing overalls and looking like hard work.

Thomas Edison

2010 Charitable Receipts Reminder

Remember to collect ALL receipts and proof of your charitable giving. You can no longer just put cash in the collection plate and deduct it. When it comes to your charitable donations, it is now important to practice:

- **Less cash** - Try to replace cash contributions with payments by check or credit card to create a record.
- **Receipts** - If you give cash, ask for receipts from the charitable organization.
- **Qualified Organizations** - Always make sure the charitable organization is an IRS qualified charity. If in doubt, ask the charity or go online to check them out.
- **Non-Cash Giving** - Non-cash donations of household goods and clothing must now be in good or better condition for deductibility. Take pictures of your donated items and list them individually, then attach these to the receipt received from the charity.
- **Mileage** - Keep a log of any driving you do in connection with charitable and volunteer work. You can deduct either actual expenses or 14 cents per mile plus parking and toll charges.

Consider seven ways to cut your 2010 taxes

1. Tax rates are likely to go higher in 2011, so you might benefit from shifting income into 2010 and delaying deductions until 2011. It's always a matter of personal circumstances, so analyze the two-year results of shifting income and deductions before you do anything.
2. Remember that required minimum distributions from retirement plans are back this year. If you're over $70 \frac{1}{2}$, your 2010 distributions must be taken by December 31 or a 50% penalty may apply. If you turn $70 \frac{1}{2}$ this year, you could wait until April 1, 2011 to take your first distribution. In deciding, consider the likelihood of higher tax rates next year and the fact that a delay means you will have two taxable distributions for 2011.

3. With the \$100,000 income limit dropped for a converting a traditional IRA to a Roth, consider doing a conversion before year-end. You can elect to pay the tax over two years' tax returns, 2011, and 2012, or pay in full on your 2010 return.

4. Consider buying needed equipment for your business to benefit from the first year expensing option.

5. If you are planning on adding employees soon, do so before January 1, 2011. If you hire someone who has been unemployed for a while, you could qualify for an exemption from social security payroll taxes on the new hire's wages. Keep the new worker for at least a year and you could qualify for a tax credit of up to \$1,000.

6. Start a pension plan for your small business. You may be entitled to a credit of up to \$500 in each of the plan's first three years.

7. Review your portfolio and start thinking about offsetting gains and losses for the year. You can deduct an excess of \$3,000 of losses against ordinary income.

Food for Thought

Have you ever watched kids on a merry-go-round?
Or listened to the rain slapping on the ground?

Ever followed a butterfly's erratic flight?
Or gazed at the sun into the fading night?

You'd better slow down. Don't dance so fast.
Time is short. The music won't last. Do you run through each day on the fly?

When you ask, "How are you?", do you hear the reply?
When the day is done, do you lie in bed with the next 100 chores running through your head?

You'd better slow down don't dance so fast.
Time is short. The music won't last.

Ever told your child we'll do it tomorrow? And in your haste, not see his sorrow?
Ever lost touch, let a good friendship die cause you never had time to call and say, "Hi"?

You'd better slow down. Don't dance so fast. Time is short. The music won't last.
When you run so fast to get somewhere you miss half the fun of getting there.

When you worry and hurry through your day, it is like an unopened gift.... Thrown away.
Life is **not** a race. Do take it slower ~ hear the music before the song is over.

DUE DATES

P.VY.

P.W.

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January

- 1st Happy New Year
- 17th Payroll Tax Deposits
- 17th 4th Qtr. Estimated Income Tax
- 20th Sales /Hospitality Tax
- 31st W-2's
- 31st Quarterly Reports
- 31st IFTA Reports

February

- 14th Happy Valentine's Day
- 15th Payroll Tax Deposits
- 21st Sales/Hospitality Tax
- 28th 1099's

March

- 15th Payroll Tax Deposits
- 15th Corporate Tax Returns
- 21st Sales/Hospitality Tax