

# Newsletter – July 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](mailto:robinw@wallingsaccounting.com)

Website: [www.wallingsaccounting.com](http://www.wallingsaccounting.com)

## Rules for 2011 Summer Hiring



Entities owned by parents hiring their own children ~ Owner's children, regardless of age, can work any number of hours or time of day - if the parent(s) own 100% of the business.

Children under 16 cannot do hazardous work (e.g., lawn mowers, sewing machines), worked where food is cooked or work near flammable or hazardous materials.

### Employment Tax Rules

**W-4s and I-9s.** Obtain these forms from all summer employees-even students working part-time and foreign students.

**Federal and State withholding.** Withhold from all employees, even the owner's spouse and children, **unless** their W-4 results in no withholding or states "exempt".

**Social Security and Medicare withholding.** Withhold from all workers, even if receiving SS benefits or high school students. Exception: Workers under 18 working for sole-owner parents (see below).

### Other Rules

100% owners (sole owners or sole partners of a company) hiring only immediate family need not pay a minimum wage. But if they regularly employ others, even family must be paid minimum wage. Owners' children under 21 are exempt from unemployment taxes (paid by employer). Owners' children under 18 are exempt from social security and medicare taxes. Wow – what a terrific way to save taxes!

Other children **under** 14: cannot be hired unless they work for a parent/sole owner.

Other children aged 14-15: Can work 8 hrs/day, 40 hrs/wk, June 1-Labor Day, and between 7 a.m. and 9 p.m. if school is not in session.

Exemptions: limits do not apply to news carriers or children employed exclusively by a parent/sole proprietor. For agricultural jobs, contact the DOL.

Benefits for temps and part-timers are optional, but if offered should be explained in a written benefits plan.

## Does canceling a life insurance policy result in income?



**Yes**, the Tax Court says in a case where a policy owner stopped paying the premiums on a policy. The insurance company terminated the policy and offset its cash value against funds that the owner had borrowed against the policy, plus accrued interest. He owes tax on the net amount, less what he invested in the policy (Brown, TC Memo. 2011-83).

---

## 1099 reporting (new rules) repealed



The recent expansions of the 1099 reporting rules are officially repealed. President Obama has signed the legislation, which scraps the requirement that businesses issue 1099s when paying \$600 or more to corporations or for goods. Also gone is the rule making owners of rental properties file 1099s on payments of \$600 or more for goods and services. Businesses, landlords and lobbying firms complained that the increased reporting was a hassle, and lawmakers heard them. Employers **STILL** have to report and file 1099s on payments of \$600 or more for services for unincorporated businesses. However, when in doubt, fill it out!

---

## Mom? Dad? Can we talk?



Taking over your aging parent's finances can be difficult and uncomfortable. But it may be critically important because someone is suffering from dementia, which may be having trouble handling simple financial tasks, is more likely to become a fraud victim. To help your parents, start by talking about your own situation - for example, tell them that you and your spouse have given each other powers of attorney- and then ask where they keep their important documents, and get a list of financial and medical providers, Ease in, suggesting that a financial responsibility you're taking over be replaced with a pleasurable activity. Develop a spending plan (don't call it a budget), and make sure your parents donate only to a cause they care about.

---



## SUV and Depreciation

**Reminder:** Although the maximum \$179 deduction for an SUV, pickup or van weighing over 6,000 pounds is \$25,000, if placed in service after Sept. 8, 2010 and placed before Jan. 1, 2012 and used 100% for business, 100% bonus depreciation applies.

---

“In the long run, we shape our lives, and we shape ourselves. The process never ends until we die. And the choices we make are ultimately our OWN responsibility.” By Eleanor Roosevelt



## Construction Workers

### **Tougher protections against falls for construction workers.**

The Occupational Safety and Health Administration will make it harder for home builders to bypass the use of guardrails, safety nets and other protections in favor of less costly and easier alternatives. In the future, they'll be able to substitute only if an expert says the conventional systems are infeasible or more hazardous than the alternatives.

---

### **Uncle Sam is determined to crack down on worker's exposure to silica dust.**

Exposure to the hazardous material, which over time can cause lung disease, is common in a variety of construction and maritime industries plus the manufacturing of bricks, glass, china, pottery, plumbing fixtures, paint, concrete products and more. The Dept. of Labor wants to cut the permissible exposure limit by a fourth to a half. Businesses fear they will be overwhelmed by protective requirements, calling, for example, for the use of respirators and clothing for all workers at a construction site. Some compromise is likely, but federal watchdogs won't cave.

---

## Flexible Spending Accounts (FSA)



Congress is eyeing repeal of some restrictions on Flexible Spending Accounts. Requiring an Rx for over-the-counter (OTC) drug purchases that are reimbursable is a good bet to bite the dust. The provision garners broad criticism, both from patients irked by having to make and pay for special visits to the doctor and physicians. So many docs are drowning in OTC drug prescription requests, they charge for them. Lifting the cap on FSA contributions isn't in the cards. A new \$2,500 limit goes into effect in 2013.

---



## Sales Tax Holiday



Beginning 12:01 on Friday August 5<sup>th</sup> and ending Sunday, August 7<sup>th</sup> at twelve midnight, certain purchases will be exempt from the sales and use tax during this time period only. Some of these items will include clothing, footwear, school supplies, computers and printers, etc. SCDOR will release an article early July for qualifying items. We will post this link on our website once it is available.

## Federal Overtime (OT) pay rules



In general, overtime is due for hours actually worked over 40 hours in the workweek - but you do not have to include as hours worked paid time off (holidays and vacation days). **For example:** John has the following schedule for the week of July 4<sup>th</sup>: Mon.-Paid Holiday 8 hrs, Tues.-Works 9 hrs, Wed.-Works 10 hrs, Th.-Works 8.5 hrs, Fri-Works 9.5 hrs

Total hours for the week are 45. By law, you are only required to pay him for the 45 hours at regular pay. Most employers think that they would have to pay 40 regular and 5 overtime. And, don't get me wrong, you certainly can do that. But since the total hours actually worked by the employee was 37 (Tuesday through Friday), then you do **not** have to pay overtime since the hours worked were less than 40.

---

## Update on new W-2 Reporting

**Big Break for small business:** Employers that file fewer than 250 Forms W-2 are not required to comply with new W-2 reporting requirements until further notice

---

## Changes to Form 941



- **New line for 2011 FICA TAX.** The new form has 2 lines for Social Security Tax: 4.2% for the employee share, 6.25% for the employer's share.
- **New line 5e for FICA tax** on unreported tips.
- **New line for the COBRA premium assistance credit.** Applies to premiums paid for employees involuntarily terminated from Sept. 1-May 31, 2010 for up to 15 months (or through Aug.31, 2011).
- **Deleted:** The line for EIC. Starting in 2011, individuals claim the credit on their 1040.
- **Deleted:** The line for employer SS exemption for qualified new hires, the credit expired on Dec. 31, 2010.

**For more information, you can go to [www.irs.gov](http://www.irs.gov) and type in "2011 Form 941"**

## Walling's Accounting & Tax Service, LLC ~ New Payment Option

We invite you to pay invoices using PaymentNetwork, a service from Intuit (makers of TurboTax, QuickBooks and Quicken) that lets you pay invoices directly from your bank account. This is the same type of payment you use when you pay your telephone or utility bill from your bank account. And it's free to you!

### How do you pay using this service?

Each invoice we send you contains a PaymentNetwork web address which you can visit to pay your bill online for FREE. Just click the link to pay.

### What's in it for you?

PaymentNetwork offers you the following benefits:

- Schedule the payment for any date you wish.
- Save the time and effort of writing a paper check.
- Track your payments with instant email confirmation alerts.
- Your bank account details stay private. We get the money you send us, but we never see your bank account information.

To learn more, visit <https://ipn.intuit.com/qb/payor> [Learn More](#)



## IRS increases mileage rates mid year

The Internal Revenue Service announced on June 23, 2011, an increase in the optional standard mileage rates for the final 6 months of 2011. The IRS normally updates the mileage rates once a year in the fall. This year's increased gas prices are having a major impact on individual Americans. See the below chart for details. And please make sure you keep a detailed mileage log on all business, medical/moving, and charitable miles!

Purpose	Rates 1/1/11 to 6/30/11	Rates 7/1/11 to 12/31/11
Business	51 cents per mile	55.5 cents per mile
Medical/Moving	19 cents per mile	23.5 cents per mile
Charitable	14 cents per mile	14 cents per mile

“No one can make you feel inferior without your consent”. Eleanor Roosevelt



**DUE DATES**

**July**

**15<sup>th</sup> Payroll Tax Deposits**  
**20<sup>th</sup> Sales/Hospitality Tax**

**August**

**1<sup>st</sup> Quarterly Reports**  
**1<sup>st</sup> IFTA Reports**  
**5<sup>th</sup>–7<sup>th</sup> Sales Tax Holiday**  
**15<sup>th</sup> Payroll Tax Deposits**  
**22<sup>nd</sup> Sales/Hospitality Tax**  
**31<sup>st</sup> Form 2290 “Heavy Highway Vehicle Use Tax Return”**

**September**

**15<sup>th</sup> Payroll Tax Deposits**  
**15<sup>th</sup> Estimated Tax Payments**  
**15<sup>th</sup> Corporate Returns on Extension**  
**20<sup>th</sup> Sales/Hospitality Tax**