

Newsletter – October 2012

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SCDEW Revised Rates

By late September, businesses will have received a **2012 Revised Rate Notice** from the SC Department of Employment and Workforce.

The SC General Assembly appropriated \$77 million to the Department of Employment and Workforce (DEW) to make repayments on outstanding loans. Funds received from the General Assembly will reduce the unemployment insurance tax rates for businesses.

The revised notice will show a new tax rate that businesses should use when paying their third and fourth quarter taxes in October 2012 and January 2013. Since first and second quarter taxes will have been paid at the higher rate, businesses will receive credits on any overpayments. The revised rate notice will show any applicable credit that the business has received.

*Due to federal regulations, refunds will **not** be available for first and second quarter taxes. Because these taxes were paid accurately under the law that was in effect at the time they were paid, only credits can be issued for overpayments. Credits can be used against any future unemployment tax liability and do not expire. (<http://www.sces.org/emp-important-information.asp#Taxes>)*

Additional Medicare Tax Effective January 1, 2013

Beginning January 1, 2013, employers will be responsible for withholding an additional 0.9% Medicare tax on individual employee wages paid over \$200,000 in a calendar year. There will be no employer match required for the additional 0.9% tax.

5 Steps to Simpler Finances



It's as easy as a walk on the beach. Here's how to get started.

1. Eliminate unnecessary checking and savings accounts.
2. Sign Up for automatic deposit, automatic withdrawal and online bill-pay.
3. Consolidate your retirement savings accounts.
4. Measure your insurance coverage. Change deductibles to save yourself money on insurance premiums.
5. Call your Personal Accountant. They Love to help with anything you need.

Train Children in the Way They Should Go

The responsibility of teaching your kids what they need to know about finances falls squarely on your shoulders, like it or not. Protest all you want, but your kids will learn about finances from you, one way or another, and there's not much you can do to change that. The decision you have to make is whether they will learn healthy financial strategies or damaging financial habits. I find that it helps children to have their "own" money ~ kids can earn allowance money from doing chores at home, cut someone's grass, or help part-time at your business (if you are self-employed). Children are much more frugal when they are spending "their" money. This also helps prepare them for the real world and teaches them responsibility! Too many children these days do not understand how much money it takes to live. When they finish High School and College, they are not prepared to be on their own. So, let's do what we can to help prepare these children for their future!

**Sometimes we are so busy adding up our troubles
That we forget to count our blessings...**

IRS - Eight Small Business IRS Audit Areas to Watch Through 2013

P. The IRS continually analyzes compliance levels for entities, issues and industries by conducting hundreds of compliance projects and initiatives each year. Leading up to the start of the government's fiscal year on Oct. 1, the IRS has announced emerging or significant areas that it will prioritize for the coming year. When it comes to compliance, the IRS has increasingly focused on small business underreporting, which is responsible for 84% of the \$450 billion tax gap. At national and regional tax forums held this summer, the IRS projected small business areas where it will focus through 2013. Here are the highlights:

1. Fringe benefits, especially personal use of company cars. The IRS is completing its third and final year of a National Research Project on employment tax compliance. Early findings from these audits indicate that employers are not reporting employees' personal use of company vehicles on Forms 1099 or W-2. Look for the IRS to investigate the use of all company cars, especially luxury autos, in its audits.

2. High income/high wealth taxpayers. The IRS defines high income/high wealth taxpayers as those who bring in a total positive income of more than \$200,000 a year. Total positive income includes all gross receipts and sources of income before expenses and deductions. Through 2013, the IRS will focus on taxpayers with a total positive income of more than \$1 million who file a Schedule C business return. Last year, the IRS audited 12.5% of all individuals with incomes of more than \$1 million - a significant increase from 2010, when the IRS audited 8.4% of these taxpayers.

3. Form 1099-K matching. The IRS announced that it will start Form 1099-K matching in late 2013. The IRS provided a reprieve from merchant card reporting on business returns for 2011 Schedule C and Forms 1065, 1120S and 1120; however, the IRS plans to change its approach after 2012 returns are filed. The IRS has indicated that it plans to pilot a business-matching program that can address a large amount of small business noncompliance.

4. Credit for small business employee health insurance, under Section 45R. This credit, first available on 2010 returns, is now coming under IRS scrutiny. The IRS will examine small business employers and tax exempts for compliance with Section 45R eligibility requirements.

5. Abusive transactions, especially international transactions. The IRS will continue to focus on the international tax gap. The IRS' third voluntary initiative for foreign bank account reporting is under way, and the IRS will be looking to aggressively pursue taxpayers who hide assets overseas. The IRS will also focus on offshore transactions for large and small businesses.

6. **Partnership returns for abusive transactions and unreported income.** This is a new area of emphasis for the IRS. Expect the IRS to target large loss partnerships and specific abuses that emerge from early findings in this project.

7. **S corporations, with an emphasis on losses in excess of basis and reasonable compensation paid to officers.** The IRS is interested in S corporation audits in which losses are taken in excess of basis on shareholder returns. The IRS will review basis computations in these audits to determine whether tax preparers are properly completing due diligence requirements before deducting losses on Form 1040. The IRS is also interested in the use of S corporation distributions to avoid payment of Social Security taxes. The IRS will focus on S corporations with income, distributions and little or no salary paid to officers.

8. **Proper worker reclassification.** Almost all business audits also include employment tax issues. In particular, the IRS is interested in worker status. The IRS understands that businesses have an economic incentive to misclassify workers as independent contractors rather than employees. It costs about 30% less for a business to employ an independent contractor than an employee. The IRS thinks there is significant noncompliance in worker classification and will continue to focus its field examination resources in this area.

Understand that these areas will be a focus for IRS audits in 2012 and 2013. A best practice is to proactively address these audit areas now. **CALL OUR OFFICE IF YOU HAVE ANY QUESTIONS ON THE ABOVE ITEMS!**

WORDS OF WISDOM

Too often we underestimate the power of a touch, a smile, a kind word, a listening ear, an honest compliment, or the smallest act of caring, all of which have the potential to turn a life around.

- Leo Buscaglia

"Your Federal Tax Deposit Wasn't Submitted Correctly"

Have you ever received one of these notices? Well here is why..... Per the IRS these tax notices are issued when your 941 payment post late; usually by one day. It takes 24 hours for payments to post over the web. The IRS recommends that you set up all payments at least 24 hours prior to the payment date to avoid receiving notices in the future. Per the IRS, these notices are for notification purposes only and no penalty is charged to you.

Example: If you are a monthly payroll tax depositor, you will need to set up the payment online by 12:00PM on the 14th with a draft date of the 15th.



DUE DATES

October

- 15th Payroll Tax Deposits***
- 22nd Sales/Hospitality Tax***
- 31st Quarterly Reports***
- 31st IFTA Reports***
- 31st Happy Halloween***

November

- 15th Payroll Tax Deposits***
- 20th Sales/Hospitality Tax***
- 22nd Happy Thanksgiving***

December

- 17th Payroll Tax Deposits***
- 20th Sales/Hospitality Tax***
- 25th Merry Christmas***
- 31st Unified Carrier Registration (Trucking)***