

EWH 2010 Tax Updates



January 2010

MISCELLANEOUS UPDATES

Mileage

In 2009, the optional standard mileage rate for business use of a personal vehicle was **55 cents per mile**. For 2010, the standard mileage rate will decrease to **50 cents per mile**.

FICA Wage Limit

The FICA wage limit for Social Security will remain the same at **\$106,800 in 2010**.

IRA & Pension Limits

In 2009, IRA and Pension limits continued to include additional catch-up contributions, however many of the contribution limits remained the same for 2010. Some of the **limits for 2010** are as follows:

	<u>Simple IRA</u>
Regular Contribution	\$11,500
Over Age 50 Contributions	\$ 2,500
Total	\$14,000

	<u>Traditional IRA</u>
Regular Contribution	\$5,000
Over Age 50 Contributions	\$1,000
Total	\$6,000

	<u>Roth IRA</u>
Regular Contribution	\$5,000
Over Age 50 Contributions	\$1,000
Total	\$6,000

	<u>SAR - SEP</u>
Regular Contribution	\$16,500
Over Age 50 Contributions	\$ 5,500
Total	\$22,000

	<u>401(K)</u>
Regular Contribution	\$16,500
Over Age 50 Contributions	\$ 5,500
Total	\$22,000

1099 REQUIREMENTS

If you have an individual that performs a service for you, and they are not incorporated, a Form 1099 must be issued. All attorneys, regardless of whether they are incorporated or not, must be issued a 1099. A 1099 must be issued for payments made to independent contractors, commissions paid to salesmen, rent paid to landlords, payments to cleaning services, etc. In other words, any individual that performs a service. The law requires that before you issue a check, you must obtain their Social Security number or Federal ID number and address (all sub-contractors must complete a Form W-9). If they do not complete this form, you are required to withhold 28% (through 2010) of the payment as backup withholding taxes. If you do this, please notify our office of the amounts withheld at once so we can report it to the IRS.

We would also like to advise everyone that if 1099's are not issued when they should be, the IRS could charge you with all withholding taxes due upon audit. Since our office cannot be certain of the status of all vendors that each client deals with, we advise everyone to call if you are in doubt as to when a 1099 should be issued or how to handle backup withholding.

Also, be advised that the IRS and State do review 1099's to see if any individuals that are being classified as independent contractors should have been classified as employees. This can be a very gray area and can be costly if the IRS determines some independent contractors to be employees. If you are in question about someone you deal with, please call our office.

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1099 Requirements Continued from Page 1

Finally, keep in mind that the IRS has stepped up its efforts in this area. If the IRS determines someone should be an employee, the burden of proof is the employer to prove otherwise. This can be expensive and difficult. We have W-9's available. Remember these are forms that should be sent to subcontractors requesting that they remit to you their Social Security number and address before payment is made. Please call our office if you are in need of this form.

MORE SUMMARY & REMINDERS

Receipts & Documentation

Records and receipts must be kept for all purchases. Periodically, we hear a client say they did not save the receipt since they have the cancelled check or credit card statement. A cancelled check or credit card statement is not proof of the expense to the IRS. You must have a receipt to substantiate the business purpose of what you purchased. You must also keep all year end documentation, e.g. inventory valuation, accounts payable, and/or receivable detail, etc. Without the receipt or supporting documentation the deduction will be disallowed.

Vehicle Log Books

If you have a vehicle that you use in your business, you must support what percentage is used for business versus personal use. The best way to do this is to maintain a daily record of all business and personal miles. If there is no logbook, the IRS will make a decision during an audit in their favor.

Sales Tax Exemption Certificate

If you sell goods or services to companies that are claiming an exemption from sales tax, be sure to obtain an exemption certificate and keep it on file. The Wisconsin Department of Revenue will require this form if you are audited. They will charge you the sales tax, plus interest and penalties, if an exemption form cannot be produced.

Entertainment

If you are claiming a deduction for meals and entertainment, you must document whom you entertained and the business purpose for the entertainment. Many deductions are lost in an audit even when the taxpayer has receipts but very little is written on the receipt. Remember, the business purpose and whom you entertained must be documented on the receipt.

Form I-9

Make sure every employee has filled out a Form I-9, employment eligibility verification. This form verifies the employee is either a citizen or an alien authorized to reside and work in the United States. There are severe penalties from the United States Department of Homeland Security if these forms are not filled out.

Form WT-4 – New Hire Reporting

State and Federal law requires all employers with a Federal Employer Identification number to report all newly hired employees, as well as those rehired, recalled, or returning to work after an unpaid interval of more than 90 days. The WT-4 must be filled out and kept in their personnel file. It also must be mailed, submitted online, or faxed to the Wisconsin Department of Revenue within 20 days from date of hire.

Use Tax

If, in the past year, you have purchased equipment or supplies from an out-of-state supplier and were not charged sales tax, you will have to pay a use tax of 5% - 5.6%. This does not include inventory purchases or resale items. Please inform us if this is the case.

Form 8300

Each person engaged in a trade or business who receives more than \$10,000 in cash in one transaction, or two or more related transactions, must report the transaction to the IRS on Form 8300. Please contact our office on how to proceed if you suspect you have entered into such a transaction.