

# EWB 2012 Tax Updates



January 2012

## MISCELLANEOUS UPDATES

### Mileage

In 2012, the optional standard mileage rate for business use of a personal vehicle will continue to be **55.5 cents per mile**.

### Annual Gift Exclusion

The annual gift exclusion amount will remain the same at **\$13,000 in 2012**.

### FICA Wage Limit

The FICA wage limit for Social Security will increase to **\$110,100 for 2012**.

### IRA & Pension Limits -2012

	<u>Simple IRA</u>
Regular Contribution	\$11,500
Over Age 50 Contributions	\$ 2,500
Total	\$14,000
	<u>Traditional &amp; Roth IRA</u>
Regular Contribution	\$5,000
Over Age 50 Contributions	\$1,000
Total	\$6,000
	<u>SAR – SEP</u>
Regular Contribution	\$17,000
Over Age 50 Contributions	\$ 5,500
Total	\$22,500
	<u>401(K)</u>
Regular Contribution	\$17,000
Over Age 50 Contributions	\$ 5,500
Total	\$22,500

Required Minimum Distributions must begin starting the year the taxpayer reaches age 70½. If you inherited an IRA, beneficiaries may still be required to take minimum distributions. Please call our office if you have questions.

## 1099 REQUIREMENTS

If you have a “non-employee” that performs a service for you, and they are not incorporated, a Form 1099 must be issued. Examples include all attorneys regardless of whether they are incorporated or not, independent contractors, commissions paid to salesman, rent paid to landlords, payments to cleaning services, etc. 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 taxes from the payment amount. If you do this, please notify our office of the amounts withheld at once so we can report it to the IRS. Additionally, if 1099s 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.

W-9 forms are available for download from our website, [www.ewhsba.com](http://www.ewhsba.com), or from our office.

### 1099 Reporting Changes

– The IRS has substantially increased late filing and failure to file penalties.

– Effective with any 2011 stock transactions, brokerage companies will report the taxpayer’s cost basis.

1099 Requirements continued on page 2

– 1099-K's will now be issued reporting how much a business collected through credit cards, debit cards, Paypal, etc. Beginning in 2012, business tax returns will need to report these sales separate from all other sales.

## 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.

### 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. If an exemption form cannot be produced in an audit, The Department of Revenue will charge you the sales tax, plus interest and penalties.

### 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 5.0% - 5.6%. This does not include inventory purchases or resale items. Please inform us if this is the case.

Record Retention Guidelines & other popular forms are available for download from our website, [www.ewhsba.com](http://www.ewhsba.com), or from our office.

### 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. A copy should be kept on premise for each employee. Severe penalties from the United States Department of Homeland Security can be assessed if these forms are not properly filled out and maintained.

### Form WT-4 – New Hire Reporting

State 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.

### 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.

### 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.