



We hope the information contained in this tax newsletter will help you in organizing your 2010 tax return. Please use the tax organizer that we sent previously to help you find important documents and make certain calculations to help us get your taxes filed quicker. If you didn't receive one, please call us and we'll be happy to send you one.

Important 2011 Changes

Employee FICA withholding is now 4.2%. Business side of withholding is still 6.2%.

Businesses must post revised MS and Federal labor law notices.

Companies can't use paper coupons to deposit payroll taxes at banks anymore.

The IRS is sending out prepaid Debit cards this year instead of checks for income tax refunds. Those that direct deposit will not be affected.

Record your car mileage.

2010 Deductions

Healthcare

Businesses can get up to a 35% health care credit for offering coverage to its workers. The firm must have 10 or fewer full-time – equivalent workers and average wages under \$25,000 for each. The credit becomes less if a firm has more employees or a wage average over \$25,000. Spouses of owners don't count for credit purposes. If you want to seriously consider this please call us to help you in budgeting.

Investments and Retirement

Withdrawals from IRAs in January of 2011 for payments to charities can

be applied to the 2010 tax return for tax purposes.

All IRAs changed to a Roth last year have to be taxed the same way. Here are the options if you converted in 2010: You can defer the taxes on the conversions and report half the income on your 2010 and half on your 2011 returns; or you can report 100% on your 2010 return.

Regular IRAs must be established by April 18, 2011 for 2010 deductions.

Nondeductible payins to IRAs and Roth IRAs are also due by April 18.

Family Finances



The \$1,000 child tax credit is still in effect for two years. So for every child 16 & under that you have you automatically get a \$1,000 credit.

The American Opportunity Education Credit continues for 2 yrs.

Payments made to a former spouse who remarried are deductible if it's alimony.

You need a license if you provide child care services in your home to claim deductions for the business use of your house.

The tuition credit is still in effect.

Home Improvement and Other
Deduct 30% of the cost of energy saving solutions even if you received a government subsidy. This applies to the purchase of any of the following last year: solar heating systems, geothermal heat pumps, furnaces, water heaters, fuel cells, and small wind energy units.

Many tax breaks that lapsed after 2009 are revived for 2010 and 2011 such as the R&D credit, the write-offs for state sales tax, and the \$250 credit for teacher supplies.



Limited Government • Free Markets • Strong Traditional Families

Governing by Principle

- Long-term and cumulative consequences should be considered more carefully than short-term benefits.
- Government has nothing to give anyone except what it first takes from someone else.
- Individuals are ultimately responsible for governing themselves and for the consequences of their decisions.

Starting the 2011 Tax Year

Payroll

Tax withholding tables have been changed. As of January 1st 2011 the 6.2% tax rate for the employee portion of Social Security tax has declined to 4.2%. This increases the take home pay for employees. The employer portion remains the same at 6.2%.

Companies can't use paper coupons to deposit payroll taxes at banks anymore. But, since businesses were used to having an extra day to make their deposits when banks were closed for a statewide holiday, the IRS will give them that leeway in 2011.

Business Property

The 100% bonus depreciation for businesses is still in effect. This applies to all property acquired after September 8, 2010, before January 1, 2012, and placed in service before January 1, 2012 (or before January 1, 2013, in the case of certain property). It also sets the expensing limitation at \$125,000 and the phase-out threshold amount at \$500,000 for 2012. This will be reduced to \$25,000 and \$200,000 for tax years beginning after 2012.

Tax credit for energy saving home improvements will be lower in 2011. It will fall to 10% and the \$1,500 ceiling will decline to just \$500. There will also be lower caps on particular items. No more than \$150 can be claimed for furnaces and water heaters, \$200 for windows and \$300 for biomass fuel stoves. Nor will the credit be OK'd for payments using state or federally subsidized financing. Credits claimed in prior years,

including 2009 and 2010, will count against the \$500.

Record the mileage on all the vehicles that you expect to be on your 2011 tax return. If possible find out what the mileage was on January 1st of this year; If not, a good estimation will suffice. Keep this info somewhere safe so you can use it next year.

Save Gas and Time with Us

Banks all over the nation have stopped accepting their business customers' 941 payments. These include Regions Bank and Bank of America.

Fortunately banks aren't the only option. We've made it easier than ever to help make your payments on time. In fact after the initial set-up you won't even need to write a check. Just give us a call and tell us how much each employee made and we'll take care of the rest. Save your gas and time with us.

In addition to preparing 1099s and W2s with this money saving service we can:

1. Prepare, print, and send in-house payroll checks.
2. Directly deposit payroll amounts to employee's bank accounts
3. Electronically pay state withholding.
4. Electronically pay federal and state unemployment

If you are in need of these payroll services please call and ask for Barbara or Ben.

Healthcare and other

The coverage mandate in the federal health reform law is unconstitutional, a district court Says; But, the court refused to grant Virginia's request to invalidate the entire health reform law.

Sell your home before 2013 if you plan on selling. According to the Healthcare Bill there will be a 3.8% surcharge on investment income for single filers with more than \$200,000 AGI and marrieds with more than \$250,000. Also, capital gains are counted as investment income. This may change if the Healthcare Bill is invalidated before 2013.

Questions and Answers

What's the earliest that I can file my tax return?

For most filers YOU CAN FILE RIGHT NOW! But, some filers will have to wait until specific forms are approved from the IRS to have their returns done. The IRS has projected this to be mid-February.

When's the earliest I can expect to get money back from the IRS?

If you file electronically and don't need the forms spoken of above you can have your refund in as little as 1 week.

How can I save on my tax fee?

USE THE TAX ORGANIZER TO ORGANIZE YOUR MATERIALS! By doing this it takes us less time to prepare your return. Less time to prepare equals less tax return fee.

When is the deadline for individual filers?

Usually it is the 15th of April but because of the Emancipation Day holiday in the District of Columbia it will be on the 18th this year.

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