

1 Tax

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Winter/Spring 2012

I hope you had a wonderful Holiday Season. Here are a number of important topics of interest to you in planning for the upcoming tax year and for 2012.

Individual Topics

Tax Season - Starts January 17th this year. Because April 15th falls on a Sunday and Monday is a DC holiday, the due date is Tuesday, April 17th. In addition, since this is a leap year, we gain yet another day to work on your taxes! Please do not wait until the last minute to make your tax appointment. I have a completely full schedule this year, so the earlier you compile your records and make your appointment, the better. **All Clients Will See Scott This Year.**

IMPORTANT: Bring Your Mileage Logs to Your Tax Appointment! - Mileage logs are required, and I will be spot-checking your logs this year. Please note - if you do not have a mileage log for me to inspect, there will be **NO DEDUCTION FOR MILEAGE ON YOUR TAX RETURN.** If you need the Mileage Log Excel Spreadsheet, please call the office and we will either email it to you or print it out for you to pick up. You can use your source records (income records, bank deposits, postal receipts, expense receipts) in order to assist in getting your mileage log up to date.

Fourth Quarter Estimated Taxes - Due January 17th, unless you file your tax return and pay the tax by January 31st.

Payroll Tax Reduction Continues Through February - The 2% payroll tax holiday for employees and self-employed individuals has

been extended through February 28th.

Energy Credit Expired December 31, 2011 - Your 2011 energy expenditures may count toward the residential energy credit. However, you must offset your energy expenditures by all energy expenditures taken between 2005 and 2010. This will effectively cancel out the energy credit for most people. However, the special credit for solar, wind, and geothermal improvements is still in effect and is not scheduled to expire until the end of 2016.

Make Work Pay Not Extended To 2011 - Many of you qualified for this credit in 2010. Unfortunately, it was not extended to 2011. However, the payroll tax reduction will result in a similar savings for wage earners and self-employed individuals.

Self-Employed Health Insurance Changes - In 2010, your self-employed health insurance premiums reduced self-employment tax. This expired in 2011, so expect your self-employment tax to increase somewhat if you paid your own health insurance premiums.

New Cost Basis Reporting Rules Will Make Capital Gains Easier to Compute - Starting this tax year, your investment broker is required to report cost basis to you on form 1099-B. Please make sure that you

bring your GAIN/LOSS statement along with your 1099 forms from your brokerage house.

HSA, MSA, FSA Over-The-Counter Meds Not Allowable - Starting in 2011, only prescription drugs or over-the-counter drugs specifically prescribed by your doctor can be paid through your health account.

W-2s Health Insurance Premiums in Block 14 - Most employers will report your health insurance premiums in block 14 of your W-2. Although the provision was initially mandatory, because the provision came out so late in the year the IRS decided to make it elective. Note that the block 14 premiums are for your information only.

Identity Theft and Taxes - If you were the victim of identity theft, you may have been issued an IP PIN from the IRS. If this is the case, please provide this number to me at tax time. The IRS uses this special number in order to properly process your return and to filter out any fraudulent returns filed using your Social Security number.

Early Retirees SSA Earning Limit Increases - If you are drawing Social Security retirement benefits but have not yet reached full retirement age, you can earn slightly more in 2012 before the "1 for 2" trim. For 2011, the trim starts at \$14,160. For 2012, it starts at \$14,640. Please note that there is

a much higher earnings limit in the year that you reach age 66 and no earnings limit once you are over full retirement age (66 for most of you). If this pertains to you, we should discuss this yearly until you reach full retirement age.

2012 Mileage Rates:

Business	55.5 cents/mile
Medical/Moving	23.5 cents/mile
Charitable	14 cents/mile

Remember, you **MUST** keep a log of your mileage in order to receive a deduction!

Business Topics

It's 1099 Time! - Please submit the information necessary to prepare required 1099 forms before **January 31st**. As a reminder, you are required to file 1099s for any individuals:

1. Are not partnerships or corporations
2. To whom you paid more than \$600 during 2011
3. For trade of business transactions (1099s are not required for non-business transactions, e.g., a roofer who performed roofing services on your personal residence).

If you are not sure whether a payee is exempt from 1099 reporters requirements, ask them for a form W-9. This form will indicate whether you should prepare a 1099 form for them.

Special note for owners of rental property: the mandate to file 1099 forms was postponed. Therefore, rental property owners are not required to prepare 1099 forms for 2011.

HIRE Credit - If you hired an employee in 2010 who provided a form W-9 (indicating that they had

not worked more than 40 hours in the 60 days prior to the start of employment with you), AND you retained the employee for more than 1 year, you are entitled to a credit of up to \$1,000 of FICA taxes paid. Please provide me with both your 2010 AND 2011 W-2s so I can compute the correct credit amount. For those who qualify, this is a big credit, so be sure to check your payroll records.

Self-Employment Tax Rate May Increase in March - Congress passed a two month extension of the reduction of self-employment tax, but this provision expires in March. At this point, no one knows whether it will be extended to the whole year. I will discuss this issue with you at tax time.

Merchant Card Provider Reporting Form 1099-K - If you take credit/debit cards as payments in your business, you may receive a form 1099-K. For 2011 taxes, the form requirement has been deferred until 2012. However, some merchant providers may issue them anyway. Please bring this form with you at tax time if you receive it.

FUTA Taxes Decrease - Starting July 2011, the FUTA tax rate drops from 0.8% to 0.6%. However, there is a credit add-back for all of the area states because they have not yet repaid borrowed funds from the Federal government to pay unemployment benefits:

Ohio	.003
Kentucky	.003
Indiana	.006

However, the net result is that the FUTA rate drops by 0.2%.

Pay your FUTA Taxes On Time - You only receive the full credit for state employment taxes paid if they are paid **ON TIME**.

Section 179 Expensing Drops For 2012 - The large 179 expense limit of \$500,000 for 2010 and 2011 is replaced in 2012 with a greatly reduced amount of \$139,000. Note that if you are expanding rapidly, this will increase your 2012 taxes. Also in 2012, leasehold improvements and other special property no longer qualify for 179 expensing.



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