

L. Ballard & Company, PSC

Certified Public Accountants

Client Newsletter

Spring/Summer 2011

Contents



Page 1 - Changes to 1099 Reporting Rules

Page 2 – Small Employer Health Care Credit for Nonprofits

Page 3 – Overview of QuickBooks Online

Page 4 – Standard Mileage Rates Increase

Page 4 – Do You Need to Make Estimated Tax Payments?

Page 5 – L. Ballard & Company, PSC Website

906 Main Street

Shelbyville, KY 40065

(502) 633-1422 phone

(502) 633-2581 fax

www.lbccpas.com

Changes to 1099 Reporting Rules

On April 14th 2011, President Barack Obama signed into law the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (HR 4; 1099 Act), which repeals both the expanded Form 1099 information reporting requirements

include payments to corporations and to include payments made for property or goods, starting with payments in 2012.

The Small Business Jobs Act enacted a requirement that rental property owners issue Forms 1099 to service

The 1099 Act did not repeal the increase in the information reporting penalties that were mandated by the Small Business Jobs Act.

mandated by last year's health care legislation and also the 1099 reporting requirements imposed on taxpayers who receive rental income.

In March 2010, the Patient Protection and Affordable Care Act (PL 111-148) (part of the health care reform legislation) expanded the 1099 reporting requirements to

providers for payments of \$600 or more. It did this by specifying that "a person receiving rental income from real estate shall be considered to be engaged in a trade or business of renting property."

The 1099 Act strikes the rental real estate section in its entirety, effective for payments made after Dec. 31, 2010 (the original effective

date of section 6041(h)), placing individuals who receive rental income in the same position as if the expanded information reporting requirements had never been enacted.

The 1099 Act did not repeal the increase in the information reporting penalties that were mandated by the Small Business Jobs Act. The first-tier penalty under IRC § 6721 for failure to timely file an information return was increased from \$15 to \$30, and the calendar-year maximum

for small business filers from \$25,000 to \$75,000. The second-tier penalty was increased from \$30 to \$60, and the calendar-year maximum from \$50,000 to \$200,000 for small business filers. The third-tier penalty was increased from \$50 to \$100, and the calendar-year maximum from \$100,000 to \$500,000 for small business filers. The minimum penalty for each failure due to intentional disregard increased from \$100 to \$250.

Taxpayers should be aware that by not filing Form 1099 with the IRS and not issuing a Form 1099 to the payee, the penalties will be assessed twice (failure to file with IRS and failure to provide correct payee statement).

The increased penalties will be adjusted for inflation every five years.

The increased penalty amounts were effective Jan. 1, 2011, and remain in effect.

Small Employer Health Care Credit for Nonprofits

In a recently updated Frequently Asked Questions page about the tax credit, the IRS stated that a tax-exempt employer as described in Section 501(c) of the Tax Code that is exempt from tax under Section 501(a) can claim the refundable credit by filing a Form 990-T with an attached Form 8941 showing the calculation of the claimed credit.

The tax credit, provided as part of the health care reform bill, is designed to encourage small employers to offer health care coverage. A qualifying employer must

cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.

A qualifying employer must have less than the equivalent of 25 full-time employees. A qualifying employer must

The credit is worth up to 35 percent of a small business' premium costs in 2010 or 25 percent of a tax-exempt organization's. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).

Organizations such as churches that typically do not even file an income tax return can be eligible for the credit.

also pay average annual wages below \$50,000. Both taxable (for profit) and tax-exempt employers qualify.

The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of

between 10 and 25 full-time employees.

Interestingly, nonprofit organizations that ordinarily do not pay any income tax are still eligible for this credit. Furthermore, organizations

such as churches that typically do not even file an income tax return can be eligible for the credit.

For nonprofits, the credit is limited to the amount of payroll taxes paid during the

year (defined as the sum of Federal withholding, Medicare withholding, and Medicare company match).

Overview of QuickBooks Online

QuickBooks has become the most popular accounting software for today's small business. Although the majority of QuickBooks users are still using the traditional desktop version of QuickBooks, small businesses with only a few employees and simple reporting needs may find QuickBooks Online to be a better fit.

QuickBooks Online offers simplified management capabilities, payroll, invoicing, electronic payment acceptance, reporting and budgeting tools, with the ability to access the system anywhere and anytime via the internet. As internet-based software, users don't have to worry about constantly making backups or their computer crashing and losing all their data. Perhaps the biggest advantage to QuickBooks Online is that the

external accountant has real-time, remote access to the data.

There are three versions of QuickBooks Online with varying features: Online Simple Start, Online Essentials, and Online Plus. Pricing for Simple Start is \$12.95 per month for one user; Essentials is \$24.95 per month for up to three users; Online Plus is \$39.95 per month for up to five users. For most small businesses with only one bookkeeper and no need for payroll calculations, Simple Start should be sufficient.

unlimited printing and direct deposit of checks, as well as printing and electronic filing of tax forms, electronic deposit of federal and state employment taxes, and W-2 printing.

If you are considering the purchase of accounting software for your small business or are planning to upgrade to a more recent version of QuickBooks, contact us so we can determine if QuickBooks Online would be a good fit for your situation.

With QuickBooks Online, the external accountant has real-time, remote access to the data.

Businesses can add payroll to the Online Essentials or Online Plus versions starting at an additional \$39 per month. The payroll features include withholding tables,

Standard Mileage Rates Increase

In recognition of the continuing increase in gas prices, the Internal Revenue Service has announced an increase in the optional standard mileage rates. The new rates are in effect for the final six months of 2011.

The rate for business miles will increase to 55.5 cents for all miles driven from July 1, 2011 through December 31, 2011. This is an increase of 4.5 cents per mile from the 51

cent per mile rate that was in effect for the first half of 2011.

Many business owners choose to use the standard mileage rate to calculate the deductible cost of operating their vehicle for business purposes.

The mileage rates for medical and moving expenses will also increase. The rate for these expenses increases from 19 cents per mile for the first half of the year, to 23.5 cents

per mile for the last half of the year.

The mileage rate for services provided to charities remains unchanged at 14 cents per mile.

Taxpayers always have the option of tracking and recording the actual cost of operating their vehicle rather than using the standard mileage rates.

Do You Need to Pay Estimated Taxes?

You may need to pay estimated taxes if you are self-employed, have income other than your salary or wages or if you receive income that is not subject to withholding, such as: self-employed income, rents, interest income, dividends, alimony, gains from the sale of assets and from prizes and awards.

You may also have to pay estimated taxes if the withholding on your salary or pension is short.

In most cases, you must pay estimated tax for 2011 if both of the following apply: (1) you expect to owe at least \$1,000

of tax over and above your salary withholding and the tax credits for which you qualify, and (2) you expect your withholding and credits to be less than the smaller of (a) 90% of the tax to be shown on your 2011 tax return or (b) 100% of the tax that was shown on your 2010 tax return.

Estimated tax payments are generally paid in four equal installments. However, you may have unequal payments if your 2010 tax overpayment was credited to your 2011 estimated tax payments or if you unexpectedly receive a

higher than usual amount of money during one quarter.

For most taxpayers, 2011 estimated tax payments are due by April 15, 2011, June 15, 2011, September 15, 2011 and January 15, 2012. Taxpayers who fail to pay estimates, or who fail to pay enough tax with each payment, could be charged a penalty.

You can pay estimated taxes by mail by using a check or money order and an estimated payment voucher (IRS Form 1040-ES). You can also pay electronically using a credit or debit card.

L. Ballard & Company, PSC Website

Be sure to visit L. Ballard & Company, PSC's website, www.lbccpas.com. Our website has useful information for existing and prospective clients such as

company contact information, directions to our office, and frequently requested forms and schedules. You can download a blank tax organizer or Forms W-4, K-4,

I-9, etc. for new employees from the resources page, www.lbccpas.com/resources.html.

Please contact us if you have any questions or comments concerning any of the information discussed in this newsletter or any other tax or accounting matters.