

BUSINESS TAX TIME HINTS

UNEMPLOYMENT TAX RATES

The Florida taxable wage base for unemployment tax will rise in 2012 to \$8,500 from \$7,000 previously. In addition, the minimum rate will rise from 1.03% to 2.02%.

If you are at the minimum rate for 2011, you will have paid \$72.10 (\$7,000 x 1.03%) per employee. For 2012, you will pay \$171.70 (\$8,500 x 2.02%), an increase of \$99.60 per employee.

Tax Time Hint: It will become very important to minimize employee turnover beginning in 2012 due to the substantial increase in the tax base and tax rate. The interview process will become very important in order to get the best qualified person to fill your open positions.

S CORPORATIONS TAKE NOTE

1. **COMPENSATION:** Under IRS code and regulations, you are required to take reasonable compensation on a yearly basis. The IRS has been conducting random audits of S Corporations to check for compliance.

2. **MEDICAL INSURANCE:** There are instances when the more than a 2% shareholder of an S corporation is unable to get medical insurance through the S corporation and must pay privately. The S corporation can reimburse this shareholder for the medical insurance payments before the end of the year. This amount is then added to wages and then can be deducted on Page 1 of Form 1040 (self-employed health insurance deduction). Proof of payment to the corporation must be submitted. The same applies for Medicare Part B premium reimbursement. Otherwise, premiums become an added medical expense on Schedule A.

The corporation should adopt a resolution to set up a plan which is non-discriminatory for all employees to pay directly for the insurance or reimburse the employee (upon proper documentation).

NON-EMPLOYEE COMPENSATION FORM 1099

Fees, commissions and any other form of compensation for services performed for your business by an individual, who is not your employee and is not a corporation, and receives more than \$600 from your business is required to receive a Form 1099.

Be sure to have a filled-out Form W-9 on file showing name, address and Social Security number. The W-9 is needed in order to prepare the Form 1099. The Federal government is "cracking down"! You must be in compliance in order to avoid penalties. (Visit our website at www.cpaboca.com to download Form W-9 under the "Business Section".)

SOCIAL SECURITY AND MEDICARE TAX FOR 2011

At press time, Congress has not acted to extend the 2% reduction in Social Security taxes paid by the employees on a temporary basis or all of 2012. If, and when enacted, the rate will be 4.2 % of the first \$110,100 of wages (up from 4.2% of the first \$106,800 of wages). If there is no action by Congress, the rate rises back to 6.2% of the first \$110,100.

The Medicare tax rate is 1.45% each for employers and employees, unchanged from 2011. There is no wage base limit for Medicare tax.



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All mail goes to the post office box. Overnight, Fed Ex, UPS can be sent to the street address. Be sure to include Suite 300.

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• FLORIDA ANNUAL REPORTS

If you are doing business in the State of Florida as a corporation or LLC, be on the lookout for your Florida Annual Report Email Reminder. **Filing is now required to be done online.** If you do not receive the email reminder, log on to www.sunbiz.org. If you still have questions, you can contact the Department of State, Division of Corporations at this number (850) 245-6056 for assistance. In order to avoid penalties, be sure to file the report prior to May 1, 2012. The penalty is \$400.



• RETIREMENT PLANS

Does your business have one? Is it up to date? There are many retirement plan options. Please call if you need assistance and have questions.

• MILEAGE ALLOWANCE

The optional standard mileage allowance for business use of an automobile is 55.5 cents for 2012.

• PERSONAL PROPERTY RETURNS

Personal Property Returns are required if the assessed value is greater than \$25,000. If required, it must be filed prior to April 1, 2012 to avoid penalties. Be sure the return accurately reflects the asset listings requested on the form. Please notify this office if you need us to prepare your Personal Property Tax Return. A fee will be charged for the preparation of this return.

• FORM 1099-K – MERCHANT CARD AND THIRD PARTY NETWORK PAYMENTS

Those of you who receive payment via a credit card or PayPal will receive Form 1099-K showing the gross proceeds charged, not the net proceeds received, from credit cards. It is very important this office receives this form from you.

• FLORIDA'S MINIMUM WAGE TO INCREASE ON JANUARY 1, 2012

The 2012 minimum wage in Florida will be \$7.67 per hour effective January 1, 2012. Employers must pay their employees a wage not less than the amount of the hourly state minimum wage for all hours worked in Florida.

Get more information and a copy of the **Florida Minimum Wage** poster from the Florida Department of Economic Opportunity's website at www.floridajobs.org. Download the **Federal Minimum Wage** poster from the US Department of Labor's website at www.dol.gov/whd/regs/compliance/posters/flsa.htm. The posters will also be available to download from www.cpaboca.com in the Business Section of the website.

YEAR-END HAS ARRIVED!

FORM 1099 AND W-2 PREPARATION: If you need this office to prepare any Form 1099 or W-2, please be sure to have this information into this office by January 15. Please provide a copy of Form W-9 for each Form 1099 to be prepared. **All 1099s & W-2s need to be distributed by January 31, 2012.**

CORPORATION AND LLC YEAR-END WORK AND TAX RETURN: When you receive your December 2011 bank statement, **PLEASE** make every effort to turn your work into this office immediately. This will ensure a smooth process for this office during tax season. Since your personal income tax return papers are still arriving, January is a good time for me to work on corporation year-end work. Please remember... your personal return cannot be prepared until your business returns are completed.

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