



Tax Alerts

Get Ready for 1099-K Reporting

The additional 1099-Misc requirements included as part of the health care legislation were repealed in April 2011. However, the 1099 provision included in The Housing Assistance Tax Act of 2008 was not repealed. Starting in 2011, financial firms that process credit or debit card payments will be required to send their clients, and the IRS, an annual form documenting the year's transactions. The new 1099-K will be issued to merchants with more than 200 payment transactions totaling at least \$20,000 per year. The form will be issued only if the merchant meets both thresholds. Providers will report only the gross amount paid to the merchants with no adjustments for fees, chargebacks, returns, or sales tax. The new 1099-K requirements apply to all payment processors, including Paypal, Amazon.com, and others that service very small businesses. Though the reporting threshold should eliminate casual retailers, if you have a credit card merchant account, a Paypal account, or other similar account, and otherwise meet the criteria, you should prepare to receive the new 1099-K.

The goal of the new regulations is to catch income that is going unreported to the IRS. The federal government loses an estimated \$300 billion each year from the "tax gap" between what individuals and businesses owe and what they actually pay. "Better information reporting helps the tax system work better by ensuring that everyone pays what they owe," IRS Commissioner Doug Shulman explained last year as his agency unveiled the 1099-K.

For companies that currently report all their credit card and Paypal sales to the IRS, the 1099-K requirement will have little impact. All the paperwork will be done by the bank or payment processing service, and business owners will simply receive a form at the end of the year listing their total receipts.♦

Moceri & Company's Privacy Policy

CPA's, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. CPA's have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

We collect nonpublic personal information about you that is provided to us by you or obtained by us with your authorization.

Parties to Whom We Disclose Information:

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. Permitted disclosure include, for instance, providing information to our employees and, in limited situation, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situation, we stress the confidential nature of information being shared.

Protecting the Confidentiality and Security of Current and Former Clients' Information:

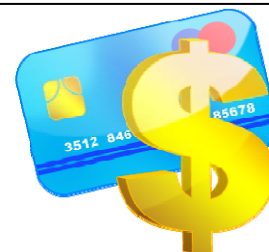
We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Please call if you have any questions, because your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us.

We assure you as that your Certified Public Accountants, your work will receive our close attention. We value highly our association with you.♦

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Year-end Business Tax Planning

Business taxpayers, like all taxpayers this year, are confronted with uncertainty in year-end tax planning as 2011 ends. A number of business tax incentives are scheduled to expire after December 31, 2011 unless extended by Congress. These incentives include widely-popular and utilized ones, such as 100 percent bonus depreciation, enhanced small business expensing, real property expensing, and many more. Other provisions, such as the small business health insurance credit and the Code Sec. 199 domestic production activities deduction, while not expiring, appear to be under-utilized. As 2011 draws to a close, it is a valuable time to review some of these tax incentives and how they may be able to help your business' bottom line.

Bonus depreciation

Taxpayers are allowed to recover the cost of certain property used in a trade or business through annual depreciation deductions. An additional first-year depreciation deduction equal to 100 percent of the adjusted basis of the property is available for property acquired after September 8, 2010 and before January 1, 2012. This additional depreciation deduction is temporary. As a result, 2011 year-end tax planning should take into account 100 percent bonus depreciation as well as its scheduled drop to 50 percent for qualified property acquired after December 31, 2011 and before January 1, 2013.

Business vehicles

Special consideration should be paid to the interaction of 100 percent bonus depreciation and the "luxury vehicle" caps. In Rev. Proc. 2011-26, the IRS set out a safe harbor method of accounting for businesses otherwise entitled to 100 percent bonus depreciation but limited by the maximum luxury vehicle depreciation caps, \$11,060, for passenger autos and \$11,160 for light trucks in 2011. The effect of the safe harbor allows the taxpayer to claim the amount of depreciation during each year of the vehicle's recovery period as would have been allowed if a 50 percent bonus depreciation rate had originally applied. The safe harbor method may be used for qualifying new vehicles placed in service after September 8, 2010 and before January 1, 2012 for which a 100 percent bonus depreciation rate applies.

Code Sec. 199 deduction

Another under-used tax incentive, is the Code Sec. 199 domestic production activities deduction. The deduction allows taxpayers to receive a deduction based on qualified production activities income (QPAI) resulting from domestic production. The deduction effectively reduces the income tax rate on domestic production activities. One deterrent to greater use of the deduction is its complexity. Our office can help you navigate the deduction's rules and calculations.

Energy tax incentives

Energy tax incentives are a mixed bag for businesses. A number of tax credits for alcohol fuels and biodiesel/renewable diesel will expire after December 31, 2011. Tax credits for construction of new energy efficient homes and manufacture of energy efficient appliances will also expire after December 31, 2011. Other energy tax incentives, including the deduction for energy efficient commercial buildings, do not expire until after 2013 or subsequent years.

If you have any questions about the business tax incentives we have discussed and year-end planning for 2011, please contact our office.♦

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Let us know how we can serve you!

We're on the Web!
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QuickBooks Corner-

Reviewing the QuickBooks data is the key to saving time at year end.

1. Start by comparing the balance sheet balances on your tax return to your January 1st QuickBooks balances. If differences exist you will need to change your beginning balances back to the tax return balances. To avoid problems with reconciled balances you can create a reversing entry dated 1/1 of the tax year. Set up an income type account called "balance adjustments" to use with the reversing entry.
2. If you used the "force account to reconcile" feature, the reconciling amount is plugged to an equity account called "opening balance equity". If you have a balance in this account you should edit each transaction dated during the tax year and change the account to an expense or income account.
3. Run a Profit & Loss report and double click net income. Look for inappropriate transactions. For example, income accounts should hold invoices, sales receipts, deposit transaction types but not bills, checks or credit cards.

Having your QuickBooks file updated with accurate balances will reduce the time we must spend with your data, and provides you with the added bonus of identifying mistakes throughout the year. Contact Marsha, our QuickBooks advisor on staff, if you have any questions or need assistance with your QuickBooks review.♦