

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

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Dear Client:

www.wrdcpa.com - Wolf, Rogers, Dickey & Co. website

- To allow more timely distribution of important tax information, contain our costs and minimize our fees, we will post our 2011 Year End Tax Planning Letter on our website. The letter will not be mailed this year unless you contact our receptionist and request a paper copy mailed to you.
- We have seen very important new tax legislation enacted recently. Your access to this information will be on our website.
- To ensure that we have your correct email address please email ryankie@wrdcpa.com with the message "Here is my email address". In the future we will alert you by email of new tax laws and planning tips. If you prefer to receive communication by US mail, please call Robin Yankie at 740-362-9031.

TRANSMITTING FINANCIAL DATA

- Our Information Technology advisors are telling us that sending emails with a password is not the most secure means of transferring sensitive financial information. WRD has adopted a policy that all sensitive client material delivered electronically should be sent and received through YouSendIt®.
- Before sending sensitive information, please call your accountant at 740-362-9031 to obtain very simple instructions for YouSendIt®.
- If you are currently using our secure portal, please continue to do so.

PHISHING, E-MAIL SCAMS AND BOGUS IRS WEBSITES

- **The Internal Revenue Service (IRS) does not initiate taxpayer communications through email.** Also, the IRS does not request detailed personal information through email and does not send emails requesting your PIN numbers, passwords, or similar access information for credit cards, banks or other financial accounts.
- If you receive an email from someone claiming to be the IRS or directing you to an IRS site, do not reply, do not open any attachments, do not click on any links in a suspicious email or phishing website and do not enter any confidential information.
- If you receive an email or find a website you think is pretending to be the IRS, forward the email or website URL to the IRS at phishing@irs.gov. After you forward the email or header information, delete the message. For more information or sample phishing emails or websites, go to www.irs.gov and click on the "Report Phishing" link.

QUICKBOOKS®

1. How will my version of QuickBooks® work with Microsoft Windows 7?
The versions of QuickBooks® that are compatible with Windows 7 are QuickBooks® 2010 and higher (Pro, Premier and Enterprise Solutions). Although QuickBooks® 2009 and earlier versions will install on Windows 7, Intuit's technical support for Windows 7 is limited to QuickBooks® 2010 and higher products only.
2. Technical support for QuickBooks® 2009 and QuickBooks® 2009 for Mac ends May 31, 2012. If you have older versions, support has already ended. If you do not process payroll or credit card activity, you will probably encounter few problems by not upgrading. If you process payroll, you will need to upgrade the program. To upgrade from QuickBooks® Pro 2009 to 2012 costs \$229.95; however, you can get a 20% discount through WRD's ProAdvisor program. If you have any questions, you may call Rob Wilkin in our office or go to www.wrdcpa.com to order.

QUICKBOOKS® PAYROLL

1. At year-end, we recommend that you update your payroll tax table. If you do not update your payroll tax tables, the 2012 tax withholdings will be incorrect and QuickBooks® will stop computing the withholding amounts as of May 31, 2012. In order to update the payroll tax tables, click on employees, get updates, get payroll updates, and then follow the appropriate instructions. The tax table update costs \$395.00. You can get a discount through our ProAdvisor program for **first year subscriptions only**.
2. Once you receive your state unemployment rate for 2012 from the Ohio Department of Job and Family Services, please make sure that you update this information under payroll items in QuickBooks® before your first 2012 payroll is processed.

PAYROLL

1. ***Year-End Payroll*** - If WRD processes your payroll, please make sure that all employee information is correctly and completely entered (including social security number and complete address). In addition, please make sure that all local municipality withholding and/or school district withholding is correct.
2. ***School District Withholding*** - As an employer, you may be liable for school district income tax withholding. It is your responsibility to ask your employees if they live in a taxing school district. The State of Ohio will be sending an updated school district tax list. If you have employees subject to this tax for the first time, you do not receive this list, or you have other questions please contact Ceena Baker or Stephanie Jebode in our office for additional information.
3. ***Social Security*** - The 2012 social security wage limit is \$110,100 (up from \$106,800 in 2011). 2011 saw temporary tax cuts for employees; there was a 2% reduction of FICA taxes for all employees. Pending congressional action could extend this cut. Otherwise, the Social Security tax rate for 2012 will be 6.2% of gross income, the same as it was in 2010. Medicare tax continues to be due on all wages at 1.45%. Also, the wage limit for Ohio unemployment tax purposes is \$9,000 for 2012.
4. ***Ohio Minimum Wage*** - Effective January 1, 2012, the Ohio minimum wage is \$7.70 per hour. This applies to businesses with over \$283,000 of gross revenues. Effective January 1, 2012, restaurants are required to pay waiters/waitresses \$3.85 per hour plus reported tips. For 14 and 15 year olds and for businesses with \$283,000 or less gross revenue, the minimum wage remains at \$7.25 per hour.

PAYROLL, continued

5. ***City of Delaware*** - The City of Delaware withholding remains at 1.85% for 2012.
6. ***Employer provided vehicle*** - The value of personal-use of an employer-provided vehicle needs to be computed and reported on the employees Form W-2. The most popular method of valuing this inclusion is the Annual Lease Value (ALV) method. Call Tiffany Rankin for the table and worksheet, or with other questions.
7. ***Christmas bonus*** - Must be included in wages, reported on Form W-2 and is subject to payroll tax withholding. A "Gross up of Bonus" worksheet is also available upon request from Ceena Baker or Stephanie Jebode.
8. ***State unemployment inclusion of independent contractors*** - As a result of recent unemployment audits, the Ohio Department of Job and Family Services (ODJFS) is reclassifying many independent contractors as employees and requiring their inclusion on the quarterly payroll reports. If they are in business for themselves and perform work for other businesses, they do not need to be included for ODJFS. If you are audited and a finding is made, the Bureau may look back four years and assess penalties and interest in addition to the premium. If you have questions, please call Ceena Baker or Stephanie Jebode.
9. ***Workers' Compensation*** - Active corporate officers of a corporation and those who elect coverage (sole proprietors, members of partnerships, and individual incorporated as a corporation with no employees and officers of family farm corporations) are subject to a minimum and maximum payroll reporting requirement. For 2011 the minimum is \$392 per week (\$20,384 per year) and the maximum is \$1,175 per week (\$61,100 per year).

In order to obtain your rates you are required to access this information through an e-account on their website. (This is different from the Ohio Business Gateway.) As some of our clients rely on this information in order to estimate and budget for the semi-annual premiums, we are available to assist you with setting up this account. Please note that you will still receive the semi-annual reporting forms in paper format. If you would like our assistance, please contact Ceena Baker or Stephanie Jebode.

10. ***Depository Employment Taxes*** - As of January 1, 2011, with few exceptions, all employers must file all depository taxes (such as employment tax, excise tax and corporate income tax) electronically using the Electronic Federal Tax Payment System (EFTPS). If you have not yet activated your account, please call Ceena Baker or Stephanie Jebode for help.
11. ***Federal Unemployment*** - The Federal Unemployment Tax (FUTA) tax rate computation for 2011 is shaping up to be the most difficult one in years due to the expiration of the FUTA surtax on July 2011 and the fact that Ohio employers will see a reduction in their state unemployment tax credits used to offset the FUTA tax.
 - The *Federal Unemployment Tax Act surcharge* of 0.2% expired on June 30, 2011. This means the FUTA Rate before state unemployment credit reduction decreased from 6.2% to 6% starting on July 1, 2011.
 - Since Ohio has not paid back its unemployment loans from the Federal Government as of November 2011, the *State Unemployment Tax Credit* has been reduced by .3%. This change is retroactive to January 1, 2011.
 - This means that the FUTA rate for Ohio employers (after the state unemployment credit) actually increased from .8% to 1.1% starting on January 1, 2011 and from .6% to .9% starting on July 1, 2011.
 - There will be no penalty for underpayment of the quarterly deposits that were due earlier this year since the change in the tax rates is retroactive. We will keep you posted as the

11. **Federal Unemployment, continued** - IRS releases further guidance on this issue. Please contact Ceena Baker or Stephanie Jebode for further information.
12. **New Hire Retention Credit** - If during 2010, you hired a new employee that was eligible for the new hired credit and have retained that employee for at least 52 consecutive weeks from their hire date, you may be able to take the New Hire Retention Credit on your 2011 income tax return. If you think you qualify for this credit, please call Tiffany Rankin.
13. **Timeliness of EFTPS Form 941 Payments** - The Internal Revenue Service (IRS) no longer notifies taxpayers of their required payment frequency for the payment of federal payroll taxes. It is now the taxpayer's responsibility to figure out when they should be making deposits via EFTPS and, if the payments are not made timely, the IRS is charging penalties.

Before the beginning of each calendar year, you must determine which of the two deposit schedules you are required to use. The deposit schedule you must use is based on the total tax liability you reported on Form 941 during a lookback period. The lookback period for calendar year 2012 tax deposits is July 1, 2010 to June 30, 2011.

- You are a monthly schedule depositor for a calendar year if the total taxes on line 8 of Form 941 for the 4 quarters in your lookback period were \$50,000 or less. Under the monthly deposit schedule, deposit employment taxes via EFTPS on payroll made during a month by the 15th day of the following month.
- You are a semiweekly schedule depositor for a calendar year if the total taxes on line 8 of Form 941 during your lookback period were more than \$50,000. Under the semi-weekly deposit schedule, deposit employment taxes via EFTPS for payroll made on Wednesday, Thursday, and/or Friday by the following Wednesday. Deposit taxes via EFTPS for payroll made on Saturday, Sunday, Monday, and/or Tuesday by the following Friday.
- As always, if your quarterly amount due on Form 941 is under \$2,500, you do not need to remit monthly payments.

These 941 payments should be initiated at least one business day in advance of the date that the deposit is due so adequate time is allowed for processing the deposits. Please call Ceena Baker or Stephanie Jebode with questions.

OHIO STATE TAXES

1. All vendors are now required to file their sales tax return electronically. This can be done over the phone at 1-800-697-0440, or over the internet through the Ohio Business Gateway or Ohio e-forms. Payments can be made via credit card, ACH debit, ACH credit, or paper check.
2. The Ohio Department of Taxation website has a tool called The Finder that will lookup sales, school district and municipal tax rates for a specific address. You can access The Finder by going to http://tax.ohio.gov/online_services/thefinder.stm.
3. The Commercial Activities Tax (CAT) has the same annual (May 10) and quarterly (February 10, May 10, August 10 and November 13) due dates and filing requirements for 2012 as for 2011.

The 2012 tax rate for quarterly filers is .2600%.

4. The State of Ohio has several Amnesty and/or Voluntary Disclosure programs in place to aide and encourage taxpayers to become compliant with their tax responsibilities. If you have questions please contact Tiffany Rankin in our office.

EMPLOYER-OWNED LIFE INSURANCE

Effective only for employer-owned life insurance policies issued **after** August 27, 2006. An employer-owned life insurance policy is life insurance on an employee where the employer pays the premiums and is the named beneficiary on the policy. For tax years ending after November 6, 2008, if you have one of these policies, you are required to file Form 8925, Report of Employer-Owned Life Insurance Contracts, along with your income tax return for the year. If you believe you have one of these policies, please contact Tiffany Rankin in our office.

CHARITABLE CONTRIBUTIONS

IRS regulations require documentation for all cash contributions. You cannot deduct a cash contribution, regardless of the amount, unless you keep a bank record of the contribution (such as a canceled check, a bank copy of a canceled check, or a bank statement containing the name of the charity, the date, and the amount) or a written communication from the charity. The written communication must include the name of the charity, date of the contribution, and amount of the contribution.

IRS regulations require an itemized listing of common noncash charitable contributions (clothes, household goods, etc). Additional rules apply for noncash contributions in excess of \$5,000 (per item or group) or contributions specifically identified in the instructions.

POWER OF ATTORNEY

As the IRS expands its computer cross-checking program, we are seeing more discrepancy notices. Many of these notices can be resolved without additional tax due if Wolf, Rogers, Dickey & Co. can call the IRS. Unfortunately, many times the IRS will not communicate with us unless they have a Power of Attorney (POA) on file. Therefore, we continue to have POA forms completed for each of our business clients. These forms may be included with your year-end tax returns or sent to you at some other time. The instructions for your signature(s) and mailing will be included. The POAs will permit us to talk to the IRS and receive copies of any notices. You will continue to handle all payments and refunds.

We hope this information will make your obligations as an employer and business owner a little easier to manage. Please call if we can be of further help.

Very truly yours,

Wolf, Rogers, Dickey & Co.