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2011 Tax Season Newsletter

NEW 1099 REPORTING. Under current law those running a trade, business or non-profit who pay for rents or services totaling over \$600 for the year to any non-incorporated individual or business, must issue to the payee and the IRS a Form 1099MISC documenting the amount paid. If the payment was for medical or legal fees a 1099 must be issued even if the recipient is incorporated. For tax year 2011 landlords must also report payments totaling over \$600 for rents or services. So if you are a landlord, and hire maintenance, repairs, cleaning, etc. done, and pay any non-incorporated person or business over \$600 you must issue them a 1099MISC by Jan 31, 2012. For tax year 2012 1099MISC must also be issued for goods purchased, and issued to corporations. Payments made by credit or debit card will be reported by the merchant account processor, and will be exempt from these new requirements. The current penalty for failure to file is \$50 per form. We can help you with your 1099 reporting requirements.

FOREIGN ACCOUNT REPORTING. Any U.S. person (even non-citizens) must report any ownership of or signature authority over any foreign financial accounts totaling over \$10,000 U.S. at any time within the year. This may apply to you for instance if you are Canadian and have Canadian accounts, or if you have parents living in Canada and you are listed on your parents Canadian accounts. This is reported to the Treasury Department on Form TD 90-22.1 which we can prepare while preparing your income tax return. This information is used by the government to discover illegal financial activity.

ORGANIZE NOW. If you would like us to send you a tax organizer to help you get ready for tax time, call us at 794-8563 or email taxman2@barkerbusiness.com.

EMPLOYER PAID HEALTH INSURANCE to be reported on W-2 will not be taxable. The rumors flying around the internet saying employer provided health insurance is to be reported on the W-2 and be added to taxable income are untrue. Employer provided health insurance is optionally reported on the W-2 for tax year 2011, and required to be reported for 2012. The following is quoted from the IRS. "This reporting is for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers. The amount reported does not affect tax liability, as the value of the employer contribution to health coverage continues to be excludible from an employee's income, and it is not taxable."

HISTORICAL TOP Marginal Tax Rates since 1913. In 1913, the 16th Amendment to the Constitution made the income tax a permanent fixture in the U.S. tax system. The amendment gave Congress legal authority to tax income and resulted in a revenue law that taxed incomes of both individuals and corporations.

1913: 7%	1923: 43.5%	1933: 63%
1943: 88%	1953: 92%	1963: 91%
1973: 70%	1983: 50%	1993: 39.6%
2003: 35%	2010: 35%	

HOME BUYERS CREDIT. A credit of up to \$8,000 is available to qualifying 2009 and 2010 homebuyers. The home must be purchased before May 1, 2010 unless a binding contract is signed before May 1, 2010 which extends the limit to June 30, 2010. A copy of the buyer's closing statement must be attached to the tax return.

TAX QUOTE of the season, "Don't get tax advice from your neighbor, golf partner, etc., they don't know and they don't care."

LATE S-CORP FILING penalty has been increased to \$195 per month per member.

CAPITAL GAINS will be taxed by the IRS at 0% for taxpayers in the 10% and 15% tax brackets, and 15% for all others in tax years 2008-2010. The gain itself may put you into a higher tax bracket on your other income causing part of the gain to be taxed at 0% and part at 15%. Maine taxes capital gains as regular income.

BUSINESS USE OF AUTOS requires a written record be kept to substantiate such use. Commuting back and forth from home to your main job is not business use. A written record showing the date, purpose and miles driven for each business trip as well as the January 1st and December 31st odometer reading is the minimum information required. The IRS has accepted repair invoices showing the odometer reading at the time of repair towards proof of total business and personal use. If your mechanic is not writing the odometer reading on the repair invoice, you should. Also, providing us with copies of all business vehicle registrations would be helpful. The standard mileage rate for 2010 is \$0.50 per mile.

DID YOU KNOW? If you pay someone to prepare your income tax returns he or she must sign the filed copy as the preparer, include on the return his or her PTIN (Preparer Tax Identification Number) and provide you with a copy. The tax return must not say self-prepared if a paid preparer was used. Your copy may be paper or electronic, whichever you both agree upon.

NET OPERATING LOSSES (NOLs) will not be allowed by the State of Maine for tax years 2009-2011. If you have an NOL from previous years being carried forward to reduce current income, it will only reduce income for federal purposes. The disallowed NOLs will be carried forward until 2012 when Maine Revenue says they will be allowed to start to be taken. The rules are not finalized for that yet.

WIN \$100. Last year's winner of our drawing was DeeDee & Polly Lyons of Lincoln. This year all completed 2010 income tax return clients will be entered and the \$100 winner will be drawn at 5 pm on April 19, 2011.

2011 STANDARD MILEAGE RATE is \$0.51 per mile for business travel, \$0.19 for medical or moving and \$0.14 for charitable driving.

WE PROVIDE PAYROLL SERVICES. You give us your employee hours worked each period and we'll prepare their paycheck, direct deposit, or detailed stubs that you can attach your own check to. We can accommodate all calculations and deductions such as tips, child support and retirement plan withholding, and vacation and sick time accrual. We prepare all quarterly and year-end payroll tax returns as well as 1099 forms for payments to independent contractors.

IN ORDER TO STAY CURRENT and better serve our clients, we attend many hours of tax training each year. This year, this training consisted of a one day Tax Practitioner Institute, a two day National Association of Tax Professionals (NATP) 1040 Workshop, a half day NATP tax seminar, a two day Maine Tax Forum, a two day Maine Association of Professional Accountants "Gear Up" tax seminar, and a one day Maine Revenue payroll tax forum as well as many telephone forums and webinars hosted by various agencies and associations throughout the year. These training events cover many facets of federal and Maine tax law as well as current changes.

WE ARE MEMBERS of the National Association of Tax Professionals (and ME chapter), National Society of Tax Professionals, National Association of Enrolled Agents (and ME chapter), National Society of Accountants (and ME chapter), National Institute of Professional Bookkeepers, National Association for the Self Employed, Informed Notaries of Maine, Lincoln Lakes Region Chamber of Commerce, Lincoln Referral Group and we're a business member/supporter of the Lincoln Snowhounds snowmobile club.

TAX FRAUD HOTLINE. If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by calling the IRS at 1-800-829-0433 or report on Form 3949-A (available at irs.gov). File Form 211 to receive a reward if applicable. Maine tax violations can be reported by calling 207-624-9600. The caller can remain anonymous.