



Sapurstein & Associates, PC.

TAX INFORMATION NEWSLETTER

Vol. 0112



Now that the holidays are over, it is time to think about.....taxes! Yeah!

January Tax Deadlines:

January 17

Final payment due for 2011 4th quarter estimated taxes

January 31

Furnish W-2s to employees who worked for you in 2011

Form 1098, 1099 and W-2G to appropriate recipients

Deposit FUTA tax owed for 2011 and file Form 940

File 4th Quarter 941 or Annual Form 944

Tax Organizer

Tax organizers will be emailed out around the middle of January. The purpose of the tax organizer we send you is to help you give us all the information we need to prepare your tax return in a timely and efficient manner. The organizer lists additions and deductions from your previous year tax return. Our Errors and Omissions insurance provider requires that we have a signed and completed organizer before we release any income tax returns. The organizer is your checklist of items to send to us along with the signed release which gives us permission to prepare your tax return.

Employee Reminders

- Remind workers who have had life changes, such as marriage, divorce, or a change in the number of dependents, to make the appropriate changes to their withholding on Form W-4.
- Employees who wish to continue claiming exemptions from withholding need to submit a new Form W-4 by *Feb. 15, 2012*.
- If you have not received a new 2012 W-4 form by February 15, 2012 from your employees, you must withhold taxes based on a marital status of "single" with zero withholding allowances, even if you have a 2011 W-4 form on file, per new federal guidelines.

FUTA 940 tax payments are due Jan 15th

You may have received a letter from the state notifying you that employers will see a reduction in their Unemployment Tax Act (FUTA) tax credit for 2011 because the state is unable to repay the outstanding loans for the unemployment insurance (UI) program. This is also known as a FUTA credit reduction. In addition to interest costs, states with federal loans that are outstanding for two consecutive years must make additional payments to FUTA. Indiana is one of those states. The additional FUTA tax collected will be applied to the state's outstanding loan balance, thereby reducing the state's loan principal. An additional .6% payment to December FUTA, 940 tax payments are due January 15th of 2012 (since the 15th falls on a Sunday, as long as payments are received by the following Monday, you will be in accordance with the mandate.) There is a separate line on form 940 to list this additional tax.

Benefit Plans

- Pension plans get extra time to adopt an amendment on benefit cutbacks that applies if they are underfunded. The amendment must be in place by the later of the end of the 2012 plan year or the due date (plus any extension) of the return for the plan year in which the benefit restrictions first went into effect. Pension plans that are less than 60% funded cannot make lump sum distributions, and those between 60% and 80% funded can make only partial lump sum payouts. Notice 2011-96 has the details, including a sample amendment that plans can use.
- Supplemental private unemployment insurance benefits are taxed as income, the Service privately rules. An employee bought a policy from an insurance company that would pay him benefits in case he was laid off. The policy payments are taxable because they supplement jobless benefits paid by the state that also are taxable. The insurer must report on Form 1099-MISC payments of \$600 or more to the payee.

Business Tax Credit

A new tax credit for businesses that hire unemployed veterans is in effect, now that the president has signed legislation officially nixing 3% withholding on government contractors that was set to start in 2013. The credit is part of that bill. The credit amount varies with how long the veterans have been unemployed. It's 40% of the first \$14,000 of pay for vets (\$24,000 if disabled) who have been jobless for six months or more in the year before they were hired, and 40% of the first \$6,000 of wages for vets who've been out of work at least four weeks but less than six months. The credit applies for eligible veterans starting work after Nov. 21, 2011 and before Jan. 1, 2013. Tax exempt groups can take the credit as an offset against payroll taxes

Social Security and Medicare

Extension of the Social Security and Medicare reduction has been extended through February 29, 2012.

Get action. Seize the moment. Man was never intended to become an oyster.
Theodore Roosevelt

50 East 91st Street, Indianapolis, IN 46240 - Ph 317-706-0958 - Fax 317-706-0962
www.sapursteincpas.com— www.smallbusinessaccountingandtaxsolutionsindiana.com

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