

ATS ACCOUNTING & TAX SOLUTIONS, INC.

Accounting & Tax Solutions, Inc. Newsletter

Year-End Newsletter

December 2010

INDIVIDUAL INCOME TAX

Pending the approval of the Senate and House, the Bush tax cuts will be extended for all taxpayers for two years. Also, the reduced capital gains and qualified dividend rates will be extended. We will send an update if/when this becomes official.

Also, for 2011, the Social Security tax rate will be reduced by 2% to 4.2%. For a taxpayer earning \$50,000, this will result in increased take home pay of \$1,000 for the year. Again, this is still not official.

STANDARD MILEAGE RATES

The IRS released on Friday the standard mileage rates for 2011. The optional standard mileage rate can be used by taxpayers to calculate the deductible costs of operating an automobile, in lieu of the actual cost method.

The new rates are: Business use- 51 cents/mile; medical or moving expenses- 19 cents/mile; services to charitable organizations- 14 cents/mile. For tax year 2010, the rates were 50 cents, 16.5 cents and 14 cents respectively.

BUSINESS CLIENTS

W-2 Reporting

A reminder for S-Corporations- for all shareholders who own more than 2% of the stock of the corporation, health insurance premiums paid by the corporation must be added to boxes 1 and 14 of the shareholders W-2 form. If you use a payroll service bureau, this amount needs to be reported to them when you process your last payroll of the year.

Employers get a break on reporting the value of health coverage on W-2s. IRS won't require it for 2011 W-2s that employers will file in early 2012, as originally called for in the health care law. The delay gives firms additional time to make the necessary changes to their payroll systems. And even when the values of the coverage is shown on the W-2, it won't be included into the employees' incomes. Congress added the reporting rule so employees will have a better appreciation for the amount that their employers

spend on their health insurance coverage.

Unemployment Rates

Please be aware that the State has had an across the board increase in the base tax rate and as a result your unemployment tax rate will increase for 2011 even if you have had no claims.

SBA Programs

Under the Small Business Jobs Act of 2010, which was enacted on September 27, 2010, there are some new and extended loan programs available for businesses. This covers both commercial real estate and capital equipment financing as well as business acquisition, expansion and working capital. Please contact our office if you would like more information on these programs.

Sales and Use Tax Issues in Colorado

Our staff recently attended a full day seminar on "Sales and Use taxes" (tax/taxes) in Colorado. The complexity of the rules between the state and the cities makes Colorado one of the most difficult places to compute these taxes. In addition, audits have increased dramatically due to the budget shortages currently being experienced by all levels of government, so they are looking for every dollar they can recover.

The state of Colorado and many of the cities have excellent websites that can help guide you through this complex task. We encourage you to review all the necessary websites that affect your business to be sure that your invoices are being generated correctly and that you are paying use tax when appropriate.

Here are some of the items to consider:

1. Is freight subject to tax and how should it be noted on your invoices.
2. Internet purchases are subject to tax.
3. Leased equipment may be subject to tax.
4. Web sales may be subject to tax.
5. Meals provided to employees.
6. Sale of business or sales of business assets.
7. If someone provides a tax exempt number is it always exempt?
8. The list goes on and on so check the websites.
9. Are taxes charged when permits are pulled and have you reconciled the project when completed?

Go to www.taxcolorado.com to get started, or Google your city and look for Sales Tax.

Sincerely,

Accounting & Tax Solutions, Inc.

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