



Warning: Phony IRS Emails

The IRS does **not** contact taxpayers by email in regard to the following: to alert them of a pending refund; inform them they are eligible to receive a tax refund; request a response or other action; ask for detailed personal and financial information (i.e. - social security numbers, PIN numbers, passwords, bank or credit card account numbers); or security-related information (i.e. - date of birth or mother's maiden name). **Taxpayers receiving such messages should not reply, provide any personal information, open any attachments, or click on any links.** More information on how to report scams and what to do if you've been victimized is available at www.irs.gov, keyword "phishing."

Temporary Extension of Payroll Tax Break

Late in December Congress passed the "Temporary Payroll Tax Cut Continuation Act of 2011", consisting of a two-month extension of the payroll tax cut which was in effect for 2011. This will allow employers to continue to withhold 2% less in Social Security Tax (4.2%) on up to \$110,100 earned income. This also extends the 2% reduction of self-employment tax. Negotiators have been appointed to work out a compromise to make this provision a full-year extension.

2012 Standard Mileage Rates

Beginning on Jan. 1, 2012, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55.5 cents per mile for business miles driven
- 23 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Mileage rates are used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Pension Plan Amounts for 2012

Section 401 (k), 403 (b), and 457 elective deferral limits will go from \$16,500 to \$17,000. However, some amounts will stay the same, such as the \$11,500 SIMPLE elective deferral limitation, \$5,000 IRA contribution limit, and \$5,500 Section 401 (k), 403 (b), and 457 catch-up contribution limits.

Social Security Wage Base

The social security wage base will increase from \$106,800 in 2011 to \$110,100 in 2012. The FICA tax rate is scheduled to be 7.65% (Social Security tax rate of 6.2% plus the Medicare tax rate of 1.45%) while the self-employment tax rate is scheduled to be 15.3%. The Social Security rate is reduced by 2% through only February 29th at this time.

Enhanced Work Opportunity Tax Credit for Hiring Qualified Veterans

A new tax credit is available to firms that hire unemployed veterans. The tax credit applies for veterans who began work after Nov. 21, 2011 and before Jan. 1, 2013. The size of the credit depends on how long the new hire was out of work. It's 40% of the first \$14,000 of wages for vets who were jobless for at least six months in the year before they were hired and 40% of the first \$6,000 of salary for those out of work between four weeks and six months. A "qualified veteran" will provide certification.

Estate and Gift

For an estate of any decedent dying during calendar year 2012, the basic exclusion amount from estate tax is \$5,120,000, up from \$5,000,000 for calendar year 2011. The annual exclusion for gifts remains at \$13,000.

Foreign Accounts

A new form may be required for taxpayers with foreign financial assets. Form 8938 will be required to be filed if the value of foreign financial assets exceeded specified thresholds during 2011:

Married filing jointly, living in the U.S.	Asset value at end of 2011 is over \$100,000
Married filing jointly, living in the U.S.	Asset value at any time during 2011 is over \$150,000
Single individuals, living in the U.S.	Asset value at end of 2011 is over \$50,000
Single individuals, living in the U.S.	Asset value at any time during 2011 is over \$75,000

Penalties for failure to file can range from \$10,000 to \$50,000.

1099 Reporting & Requirements

Form 1099 is an income-reporting form required to be filed to report various types of income such as: non-employee compensation; other miscellaneous income; rents and royalties; dividends; interest; medical & health care payments; gross proceeds paid to an attorney; sales of goods for resale of \$5,000 or more. **Form 1099-Misc.** is required to be issued by an individual or entity engaged in a trade or business to nonemployees paid \$600 or more for their services. A 1099-Misc. form is not required to be filed if the recipient is incorporated, except for attorneys and health care providers.

1099's are due to the recipient by January 31st and to the IRS by February 28th. The penalties for not filing 1099s on time can range: \$30 per 1099 if filed by March 30th; \$60 per 1099 if filed by Aug. 1st; \$100 per 1099 if filed later than Aug. 1st. There are questions listed on the 2011 business tax return forms to determine if a business complied with its form 1099 filing requirements.

Should you have any questions or require assistance with the preparation of your 1099's, please do not hesitate to contact our office.

There are many other provisions that expired at the end of 2011. Some of those may still be extended retroactively. We hope this information is helpful. If you would like more details about this material or if you should have any questions, please do not hesitate to call.



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