SCHULTZ & MOLEPSKE, LLC

Certified Public Accounting Firm

Taxing Solutions

A periodic newsletter for the clients and friends of Schultz & Molepske, LLC

December 2010

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TAX SEASON OFFICE HOURS

By appointment or

Monday - Friday
8:00 a.m. - 5:00 p.m.

Saturday
9:00 a.m. - 2:00 p.m.
(beginning Feb. 5, 2011)

IMPORTANT DATES

12/31/10
November 2010 sales tax due

1/17/11
4th quarter 2010 federal & state individual estimated tax payments due

1/31/11
December 2010 sales tax due

4th quarter payroll tax reports due including W-2 & 1099 forms to recipients

2/28/11
January 2011 sales tax due

3/1/11
Statement of Personal Property due

3/15/11
"C" & "S" Corporate income tax returns due

3/31/11
February 2011 sales tax due

4/18/11
Individual, Partnership & Fiduciary income tax returns due

1st quarter 2011 federal & state individual estimated tax payments due

FROM SCOTT'S DESK

Another year has quickly come to a close. We'd like to thank you for the trust and confidence you have in us. We try to treat all our clients the same, like family, and enjoy talking with you during the year.

2011 appears to be a year filled with hope and challenge. Are you ready? We are! We have attended many hours of continuing education to stay on top of the current year tax changes. We have continued to network with other professionals during the year to strengthen existing relationships and forge new ones. We have also worked with other tax professionals to fine tune our best practices allowing us to offer you the very best service and up-to-date tax information available.

From all of us here at Schultz & Molepske, LLC, it has been a pleasure serving you this year and we wish you the very best this holiday season.

Scott

YEAR-END IDEAS

Flexible spending accounts. If you want to get reimbursed from a health flexible spending arrangement (FSA) or a health reimbursement account (HRA) for over-the-counter drugs, you must do so on or before December 31, 2010. After 2010, you can only get reimbursed for prescription drugs and insulin.

Required minimum distribution. Don't forget to take your required minimum distribution (RMD) for 2010. RMD's were waived for 2009.

Energy improvements. For those who plan on replacing doors, windows, furnaces, or make other energy improvements, you must have them installed before December 31, 2010 to be eligible for the energy credit. The credit is limited to $1,500 for tax years 2009 and 2010 combined. For further information on the credit go to www.energystar.gov.

Capital gains. The 0% capital gains rate is set to expire at the end of 2010. If you are in the 10% or 15% income tax brackets, consider selling capital assets that have been held more than a year and have substantially increased in value. After 2010, the long-term capital gains rates will be 10% and 20% (8% and 18% for assets held over five years).

NEW IN 2010

Roth conversions. Starting in 2010, the income limit is removed for those who wish to convert their IRA to a ROTH. All will be eligible. You can also elect to recognize all the income in 2010 or spread the income ratably over two years, 2011 and 2012. It is very important to contact us if you plan on converting. Note that an income limit still applies to ROTH contributions.

New HIRE rules. Tax incentives are being given to those who hire unemployed workers before 12/31/10. You will need to have these new hires complete form W-11. The tax credit is given on your quarterly 941. If you retain these new hires for 52 consecutive weeks, you may also qualify for up to a $1,000 credit on your 2011 return.

New "Business Health Insurance Tax Credit". Tax credit is available for certain businesses providing a portion of an employee's health insurance. You need to have fewer than 25 "full-time equivalent" employees paying wages averaging less than $50,000 per employee. If you have not already received our letter describing the necessary information needed to calculate this credit, please contact us.

Health insurance. The "Creating Small Business Jobs Act of 2010" allows for the deduction of health insurance when computing self-employment tax in 2010.

First-time homebuyer credit. If you received up to $7,500 on the first "first-time homebuyer" credit in 2008, then the amount received must be repaid in 15 annual installments starting with the 2010 tax return. The revised "first-time homebuyer "credits for 2009 and 2010 do not need to be repaid.

UPCOMING FOR 2011

Social Security wage base will stay the same at $106,800.

Traditional and ROTH IRA contribution limits are $5,000 . . . . . $6,000 if born before 1962.

401(k) and 403(b) contribution limits are $16,500 . . . . . $22,000 if born before 1962.

Cap for Simple plan contributions is $11,500 . . . . . $14,000 if born before 1962.

Maximum HSA Contribution is $3,050 Individual, $6,150 Family, $1,000 Post-55 Catch-up.

Standard Mileage Rate for business miles will be 51 cents starting January 1, 2011.

TAX SEASON INFORMATION

Plan on getting your information to us ASAP! New this year is an engagement letter you will need to sign in order for us to prepare your tax return. This will be mailed to you along with a tax information sheet in early January. Please return both forms when you bring us your tax information to complete your returns.

A few things to consider when compiling your tax information for us to prepare your returns:

1. Make sure you obtain the date and cost basis of stocks or mutual funds you sold this year.
2. Make sure you have documentation for ALL donations. Cash donations must have a receipt if over $250. If under $250, a cancelled check will suffice.
3. Provide clarification regarding who paid for your health insurance and whether it was pre-tax.
4. Think about direct deposit for refunds. It will speed up the processing of your refund. It's free and fast.
5. If you buy anything on the internet, Wisconsin Sales Tax is due.
6. Business miles need to be documented in writing. The IRS is cracking down on mileage logs.
7. The tuition you paid to a college will normally not match the statement from the university. Make sure you double check the amount you paid out of pocket and when you paid it, including student loans.
8. Please tell us if you had any major transactions that could impact your tax situation this year.
9. If you welcomed a new child or got married this year, we will need the date of birth and SSN.
10. List your estimated tax payments, letting us know how much you paid, the date, and to whom you paid.

THIS AND THAT!

W-2 reporting of health costs optional for 2011. The IRS is giving employers additional time to adjust payroll systems and procedures to meet the requirements to include the cost of employer-sponsored health coverage on employees' W-2 forms. This reporting requirement was mandated in the 2010 health care reform legislation and was scheduled to take effect with the issuance of W-2 forms for 2011. Reporting the cost of coverage will be optional for Forms W-2 issued in 2011. Employers who fail to report the cost of health coverage for their employees will not be subject to penalties. The reporting requirement is for informational purposes only. The amount reported on an employee's W-2 is not taxable income to the employee.

Be sure to use the gift tax exclusion.   This year, you can give up to $13,000 or $26,000 if your spouse agrees, to kids, grandkids, or others without owing gift tax. Annual exclusion gifts reduce your estate.

REFERRAL REWARDS GIVEAWAY

Congratulations go out to Debbie B., winner of our 40" LCD Television giveaway. Thanks to all of you who referred your friends and family for tax preparation services. The promotional giveaway was a great success and we plan on bringing it back again this upcoming tax season. Watch for forthcoming details on our 2011 Referral Rewards Giveaway.

NEW CLIENTS

We are accepting new clients and welcome your kind referrals. It is the best form of advertising and the biggest compliment to us. If you know of someone who might enjoy this newsletter or is in need of help, we'd appreciate your passing on this newsletter or giving them our phone number.

Happy Holidays!