

# SCHULTZ & MOLEPSKE, LLC

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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

**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

**4/30/11**  
1st quarter 2011 payroll and sales  
tax reports due

# Taxing Solutions

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

Winter 2011

## FROM SCOTT'S DESK



The close to the 2010 year was hectic and memorable to say the least! While Congress was passing new tax legislation at the last minute, we were finishing up tax planning and getting ready for the start of our busy season.

as they were for another two years. However, there are some significant changes that may affect you or your business. For more information and planning guidance as you begin sorting out your tax situation for 2011, contact our office. We are always ready to answer any questions you may have!

Below is a synopsis of the 2010 Tax Relief Act passed in December. Most of the provisions in the new law will probably go unnoticed by the majority of taxpayers since the law basically keeps things

We are looking forward to seeing and working with you this upcoming season!

*Scott*

## 2010 TAX RELIEF ACT

Below are the key provisions of the 2010 Tax Relief Act signed into law on Dec. 17, 2010:

**Tax rates.** The existing tax rates established in the 2001 and 2003 tax laws will continue for all taxpayers through 2012. This means the top tax rate for 2011 and 2012 will remain at 35% instead of reverting to 39.6% had the 2010 Tax Relief Act not passed.

**Capital gains and dividends.** The top rate for long-term capital gains will remain at 15% for taxpayers in all but the two lowest ordinary income brackets; those taxpayers will continue to have a 0% rate on capital gains. Dividends will continue to be taxed at the 15% and 0% rates instead of reverting to ordinary income rates as high as 39.6%.

**Itemized deductions and personal exemptions.** Higher-income taxpayers will not have their itemized deductions limited and their personal exemptions phased out for 2010 - 2012.

**Education tax breaks.** The law extends the American Opportunity Tax Credit through 2012. The income exclusion for up to \$5,250 of employer-provided education assistance to employees is continued for two years. The higher contribution limit of \$2,000 and other enhancements to Coverdell Education Savings Accounts were extended for two years.

**Alternative minimum tax (AMT).** The AMT was given another "patch" for 2010 and 2011, a move that will keep the tax from hitting millions more taxpayers.

**Payroll tax.** A new tax break is created for workers who pay social security taxes. For 2011, the employee rate for social security tax is cut from 6.2% to 4.2% on wages up to \$106,800. Self-employed individuals will pay 10.4% on self-employment income up to \$106,800. Employers will continue to pay 6.2% on employee wages. This payroll tax rate cut does not affect the Medicare portion of payroll taxes for either employees or employers.

**Extenders.** Tax breaks that have come to be called "extenders" because they're typically extended retroactively every year, but just for a year, are again extended by the new law. Effective for 2010 and 2011 returns, taxpayers have the option of deducting state and local sales taxes instead of state and local income taxes. The deduction for up to \$4,000 of higher education expenses and the deduction for teachers who buy classroom supplies are extended. Those age 70 1/2 or older may again contribute up to \$100,000 tax-free from an IRA to a charity. Note the deduction for real estate taxes paid by nonitemizers was not extended.

**Unemployment compensation.** The 2010 Tax Relief Act also provides an additional 13 months of benefits to the unemployed.

## **2010 TAX RELIEF ACT . . . . . continued**

**Business provisions.** The law extends the research tax credit for 2010 and 2011, and it extends the work opportunity tax credit through 2011. Bonus depreciation is increased from 50% to 100% for qualified business purchases made from September 9, 2010, through December 31, 2011. Effective for 2012 only, the section 179 limitation for qualified property is \$125,000 with a phase-out threshold of \$500,000. This is a decrease from the 2010 and 2011 limitation of \$500,000. 50% bonus depreciation will also be available in 2012.

**Estate tax.** The estate tax was perhaps the most contentious issue in the law, and it came close to unraveling the deal. The compromise that was agreed upon restores the estate tax retroactive to January 1, 2010, and continues it through December 31, 2012. It establishes a top rate of 35% and an exclusion amount of \$5 million (\$10 million for married couples). Estates of persons who died in 2010 have the option of applying the estate tax and receiving a step-up in basis on property passing to heirs or having no estate tax but using carryover of the decedent's basis in property.

## **WISCONSIN NEWS**

**Employer state unemployment wage base.** Will increase from \$12,000 to \$13,000 for 2011.

**Rollovers.** Wisconsin is not following federal law regarding rollovers from 401(k), 403(b) or 457(b) plans. So if you plan on rolling your money in these plans into a ROTH IRA account, be aware that the state will tax those funds differently.

**Schedule I adjustments.** As the state continues to lag behind adopting federal tax law, your Schedule I that adjusts your federal to Wisconsin income, will be expanded. More due diligence will be expended on your behalf to make sure it all flows correctly.

## **ODDS AND ENDS!**

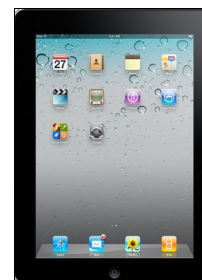
**Payroll tax holiday.** The Internal Revenue Service recently released instructions on IRS.gov (Publication 15) to help employers implement the 2011 cut in payroll taxes, along with new income-tax withholding tables that employers will use during 2011. The IRS recognizes that the late enactment of these changes makes it difficult for many employers to quickly update their withholding systems. For that reason, the agency asks employers to adjust their payroll systems as soon as possible, but not later than January 31, 2011. For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible, but not later than March 31, 2011. Employers and payroll companies will handle the withholding changes, so workers typically won't need to take any additional action, such as filling out a new W-4 withholding form.

**E-File Mandate.** Expect all individual, estate, and trust returns to be filed electronically this year. The IRS has mandated tax preparers who file more than 100 returns in 2011, to file them all electronically. However, if a return must be filed by paper, the taxpayer must sign a written statement and mail the return themselves.

## **REFERRAL REWARDS GIVEAWAY**

Finally, it's here! Our 2011 Referral Rewards Giveaway will be an . . . . . IPAD! The best way to experience the web, email, photos and videos!

Just refer a new client to us and once we complete their tax return, your name will be put into our drawing for a free IPAD. The drawing will take place sometime after April 15, 2011. Good luck to all who participate.



## **NEW CLIENTS**

Our best form of advertising is your kind referrals. It's how we have grown and sustained our business for many years. We are accepting new friendly faces all the time. Thanks for the confidence.

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.