



## Online Advisor – February 2011

### Major Tax Deadlines For February 2011

- \* **February 15** - Deadline for brokers to provide Forms 1099-B and 1099-S to customers.
- \* **February 28** - Payors must file information returns (such as 1099s) with the IRS. (Electronic filers have until March 31 to file.)
- \* **February 28** - Employers must send W-2 copies to the Social Security Administration. (Electronic filers have until March 31 to file.)

#### For March 2011

- \* **March 1** - Farmers and fishermen who did not make 2010 estimated tax payments must file 2010 tax returns and pay taxes in full.

**NOTE:** Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

**Payroll tax deposits:** Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

\* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

\* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

### What's New in Taxes

#### More savings bond options for your tax refund

Last year, you could use your tax refund to purchase U.S. Series I Savings Bonds in your name. This year, there are some new options for purchasing savings bonds with your income tax refund.



You can buy savings bonds for yourself and up to two other individuals. Form 8888 is used to designate the person or persons in whose name the bonds are to be issued. The savings bonds will then be mailed to those individuals.

Up to \$5,000 in bonds can be purchased, and they must be bought in \$50 increments. This year, you no longer need to use direct deposit for any remaining refund amount; you may request a paper check for the balance if you prefer.

### **What's your status?**

While gathering information to complete your income tax return, you may give little thought to your filing status. But there's a reason "filing status" choices appear at the beginning of tax forms: They're important.

Why? Because filing status can impact exemptions, reportable income, deductions, credits, tax rates, liability, the type of form you file, and whether you need to file at all. In addition, some states require that you use the status reported on your federal return, which can affect the amount of state tax you pay.

### **Here are facts to consider when determining filing status.**

1. Your status generally depends on whether you're married or single on the last day of your taxable year (typically December 31). In cases of divorce or separate maintenance decrees, the laws of your state determine whether you're considered married or single. Same-sex marriages are not recognized for federal income tax purposes.
2. As a married couple, you can choose joint or separate returns. When you file separately, you can change your mind later and amend your return to file jointly. However, you can't switch from joint status to married filing separately after the due date of the original return.
3. If you were widowed during the year and have not remarried, you have the option of filing jointly with your late spouse. When you're widowed and have dependent children, you can continue to use joint tax rates for two additional years following the year your spouse died.
4. Head of household status is intended for single taxpayers with dependent children. It may also be available when you're single and maintaining a separate household for a parent - including one living in a nursing home.

Questions about your filing status? Please contact us if you need more information.

### **New Business**

#### **IRS announces two changes to tax requirements**

The IRS has announced changes to federal tax deposit rules and nonprofit filing requirements.



\* Businesses can no longer use paper coupons (Form 8109: Federal Tax Deposit Coupon) to deposit federal taxes to an authorized bank. Instead, deposits must be made using the Electronic Federal Tax Payment System (EFTPS) online or by telephone. This change affects all federal tax deposits including employment and unemployment taxes, corporate income taxes, excise taxes, and backup withholding. Businesses with taxes below certain thresholds may still remit taxes due with the tax return being filed.

\* Tax-exempt organizations are required to file annual reports with the IRS. Those with gross receipts below a certain threshold amount can file an E-postcard rather than a longer version of Form 990. The IRS has just raised that gross receipts threshold amount to \$50,000, an increase over the previous filing threshold of \$25,000. The deadline for nonprofit filings is the 15th day of the fifth month after their year-end. For calendar-year organizations, that filing deadline for 2010 reports is May 16, 2011.

### **Give your business a competitive edge**

It's a fact. When competition is based on price alone, smaller companies often find themselves squeezed by high-volume, low-priced competitors. How do you, as a small or mid-size business owner, survive in such an environment? You survive by differentiating yourself from the competition, creating a niche or identity that isn't based on cut-rate pricing. In other words, you offer something that your competitors don't offer, something that's different.

To truly differentiate your business, you need to identify your target customers and their needs. Let's say your firm sells stereo speakers. You might decide to focus on serious audiophiles only. Such customers will likely pay a premium for higher performance, technological innovation, or customization. Perhaps you've dined at expensive restaurants that offer an unusual menu, a remarkable atmosphere, or superior service. Such eating establishments are often packed at the dinner hour. Why? Because customers perceive value in the products and services that these businesses offer, a value they're willing to pay for.

The key is to identify the qualities that make your company different. How do you discover such qualities? One way is to study your competition. Clip their ads, examine their websites, buy their products and services. Determine what makes your product or service different and more valuable than that of your competitors.

Once you've identified the qualities that could set your company apart, it's time to prioritize them. Decide which would be easiest to develop, which would address your customers' most important buying criteria, and which would be hardest for your competitors to emulate.

Finally, seek to convey that value to your target customers. The goal is to "brand" your product, being clear about what you want to be in your customers' minds.

If you need help identifying the qualities that could set your business apart, give us a call.



## **What's New in Finances**

### **Time your IRA contributions for maximum growth**

The tax rules give you a period of 15½ months to make contributions to an IRA for any given year. For example, you could contribute to a 2010 IRA as early as January 1, 2010, and as late as April 18, 2011.

The timing of your contributions can have a significant effect on the amount your retirement fund can grow to, and if you're contributing to a tax-deductible IRA, the timing can make a tax difference too.

### **Here are two bits of advice.**

- \* First, if you didn't reach the 2010 contribution limit (\$5,000 if you're under age 50; \$6,000 if you're over) by December 31, 2010, designate 2011 contributions as being for 2010 until you reach the dollar limit or April 18. Then you can deduct these contributions on your 2010 return for a quicker tax benefit. Use that reduction in your tax bill to fund your 2011 IRA.
- \* Make your contributions for each year as early in the year as you can. That gives your fund more time to benefit from tax-deferred growth. If you can't manage a lump sum at the beginning of the year, fund your IRA with a set amount each month.

### **Talk finances with your elderly parents**

One day you may find yourself taking care of an elderly parent who is in declining physical or mental health. This can be stressful, both emotionally and financially. On the financial side, there are steps you may want to take to prepare for this situation.

Talk to your parents about their financial affairs. Parents may be reluctant to discuss their finances, but someone needs to know the names of their lawyer and accountant. Someone needs to know where their important financial papers are located. Chances are that much of the information will be in your parents' heads, or scattered in various places around their house.

Here's a general overview of the topics you might want to cover with your parents.

### **Vital statistics**

- \* Where are social security cards, driver's licenses, and passports kept?
- \* Where are marriage or divorce records and family birth certificates?
- \* Where are military service records and pension records?

### **Financial records**

- \* Help your parents make a list of their financial assets, bank accounts, investments, etc.



- \* Review the beneficiaries they have designated and how accounts are titled.
- \* Do they have a safe deposit box? Record the location and box number.
- \* Find the name of their accountant and copies of tax returns.

### **Physical assets**

- \* Locate mortgage records and the deed to their house or other property.
- \* Locate vehicle titles.
- \* Do they own any assets stored elsewhere?

### **Insurance**

- \* Locate records for home, vehicle, health, and life insurance.

### **Estate planning**

- \* Do they have a will or living trust?
- \* What is the name of their attorney?
- \* Discuss any special wishes for bequests; encourage your parents to put them in writing.
- \* Have they set up directives for medical care (living wills)?
- \* Have they set up a Power of Attorney in case they become disabled?

Don't try to find all this information in one exhausting session. Instead, use the list as a starting point for a series of conversations. Wherever possible, involve your parents in putting their own affairs in order. You may find it's a great opportunity to bond with your parents in their golden years.

### **Take a Break**

### **A few observations...**

- \* A penny saved is a government oversight.
- \* The easiest way to find something lost around the house is to buy a replacement.



\* He who hesitates is probably right.

\* Did you ever notice: When you put the two words "The" and "IRS" together, it spells "Theirs."

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.