



Online Advisor - April 2012

Major Tax Deadlines For April 2012

- * April 2 - Deadline for payers who file electronically to file 2011 information returns (such as 1099s) with the IRS.
- * April 2 - Deadline for employers who file electronically to send copies of 2011 W-2s to the Social Security Administration.
- * April 17 - Individual income tax returns for 2011 are due.
- * April 17 - 2011 calendar-year partnership returns are due.
- * April 17 - 2011 annual gift tax returns are due.
- * April 17 - 2011 income tax returns for calendar-year trusts and estates are due.
- * April 17 - Deadline for making 2011 IRA contributions.
- * April 17 - Deadline for employers to make contributions to certain retirement plans.
- * April 17 - First installment of 2012 individual estimated tax is due.
- * April 17 - Deadline for amending 2008 individual tax returns (unless the 2008 return had a filing extension).
- * April 17 - Deadline for original filing of 2008 individual income tax return to claim a refund of taxes. Each year some taxpayers have tax refunds due them for prior years, and unless a return is filed to claim the refund by the three-year statute of limitations, the refund is lost forever.

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

IRS expands "Fresh Start" program for those who owe taxes

Taxpayers who are struggling to pay their taxes may get some relief from the IRS's expansion of its "Fresh Start" initiative, a program started back in 2008. The new Fresh Start provisions provide penalty relief to the unemployed and make installment agreements for paying taxes available to more people.

Normally, a failure-to-pay penalty of one-half of one percent per month, up to a 25% maximum, is charged for overdue taxes. The "Fresh Start Penalty Relief" initiative gives eligible taxpayers a six-month extension to fully pay 2011 taxes -- that is until October 15, 2012, before the penalty begins to apply. Interest of 3% will still be assessed starting from April 17, 2012.

The penalty relief is available to workers who have been unemployed at least 30 consecutive days during 2011 or 2012 and to self-employed individuals who experienced a 25% or larger reduction in business income in 2011 due to the economy. Income limits apply: the relief is not available to singles with adjusted gross income over \$100,000 or to couples with income over \$200,000. Also, taxes due cannot exceed \$50,000.

The Fresh Start program also changes the eligibility threshold for streamlined installment agreements from \$25,000 to \$50,000 and increases the maximum term for these agreements from five to six years.

For details or tax assistance, contact our office.

What if you can't file your 2011 tax return on time?

If you need more time to file your 2011 income tax return, you can get an extension -- and no explanation is necessary.

You may have a very good reason for wanting more time to file your 2011 individual income tax return. For instance, you might want to hold off funding a retirement plan such as a Keogh or SEP until you can save more money. Perhaps you're waiting for a tax form from a trust, a partnership, or an S Corporation. Or maybe you've just been busy.



It doesn't matter. Whatever the cause or motivation, you can usually put off filing for up to six months beyond April 17. That means you could have until October 15, 2012, to finalize your return -- assuming you follow the rules.

Here's what you need to do:

- * Estimate your total tax liability for 2011, subtract what you've already paid in withholding or estimated payments and remit most or all of the balance, and
- * File an extension request form (generally Form 4868 for an individual return) by April 17.

You can file the extension request form electronically, by phone, or by mailing it to the IRS. If you owe taxes, you can pay with an electronic funds transfer, your credit card, or a check.

Requesting an extension for your personal return also gives you additional time to file a gift tax return for 2011. The gift tax return extension is automatically included. You don't even have to check a box. But if you owe gift tax (or generation skipping transfer tax), or are requesting an extension only for a gift tax return, you'll need to use Form 8892.

One more quirk: If you live and work outside the United States, you may qualify for an automatic two-month extension of time to file without having to send in a form.

If you have special circumstances such as military service, or think you might have difficulty paying the tax due with your extension, please contact us. We can help you work through the rules.

New Business

Employment numbers from the Bureau of Labor Statistics

Some recent employment trends from the Bureau of Labor Statistics:

- * In August 2011, 14.5 million people were self-employed, a decline of 2.1 million from the number of self-employed reported in December 2006.
- * In October 2009, women held 49.99% of U.S. jobs. The current percentage of women in the job force is 49.4%.
- * As the employment numbers improve, it's noteworthy that the majority of new jobs are being filled by men rather than women. An estimated 1.28 million men found jobs in 2011 compared with 600,000 women.



Going into business with your spouse: How to make it work

Starting and running a business is rarely a safe or simple process, and doing so with one's spouse creates an additional layer of complexity. Whether that complexity will have a positive or negative effect depends on several factors. Here are some of the questions you need to discuss before going into business with your spouse.

* How well do you work together at home? If you cooperate and collaborate for domestic chores, you'll probably carry that pattern into your workplace. If you bicker constantly over how to do the laundry or maintain the yard, working together in business might be a risky option.

Even if you work well together, some disagreements are inevitable. How do you handle differences of opinion? The answer is particularly relevant if you'll have employees or customers on the premises. At a minimum, noisy flare-ups will ruin your business ambience.

* Do you and your spouse have similar goals and values? For example, one partner's fixation on maximizing income may not be compatible with the other's goal of job satisfaction or adhering to strong ethical principles. If the two of you have such differences, it's important to recognize them and either arrive at an acceptable compromise or reconsider your proposed venture.

* Will your business be adequately capitalized? You won't have an outside salary to fall back on during hard times.

* Will there be other partners or employees? Each spouse's role and responsibilities with respect to coworkers and subordinates should be clearly defined. Spouses with drastically different management styles can make life miserable for employees and each other.

* Will one of you be supervising the other and/or reviewing the other's work? You'll need to concentrate on treating one another with respect, especially when giving or taking constructive criticism. Conversely, continually overlooking your spouse's mistakes or failings may drag down employee morale or otherwise harm your business.

* Are your strengths complementary or redundant? For example, if you're a pair of engineers starting an engineering firm, you might leave functions such as marketing and accounting to employees or outside services so you can work together within your area of expertise. If you find your professional decisions tend to clash, consider splitting up your clients or processes and working separately within two divisions. Of course, if you're lucky enough to have complementary strengths and weaknesses, the division of labor should be simple.

When spouses work well together, a family business can be enormously satisfying. We can help you address the relevant issues and devise a business plan based on your capabilities, personalities, and desires. Call us for an appointment to explore the possibilities.



What's New in Finances

Student loan debt to reach \$1 trillion this year

Last year, the total amount of student loans taken out exceeded \$100 billion. The estimate for 2012 is that student loan debt will exceed \$1 trillion. Even after adjusting for inflation, students today are borrowing twice what they did ten years ago.

These numbers mean that student loan debt is higher than the amount Americans owe on credit cards.

The amount of student loan debt is especially troubling when one considers the rather gloomy employment outlook for young people today. In July 2011 just 60% of Americans in the 16 to 24 age group were employed, compared with 78% in July 1989.

Don't fall victim to bogus prize promotions

As a consumer, it's a sure bet you've been the target of phone solicitations, mass mailings, and promotions inviting you to participate in big money sweepstakes. Studies show that a majority of American adults have entered a sweepstakes at one time or another, and over 90 percent of American adults have received at least one mailing informing them that they have won "free prizes."

Many such solicitations, though perhaps annoying, are perfectly legitimate. They're sponsored by reputable marketers and nonprofit organizations who are seeking your business or support. Some prize promoters, however, are con artists who want to make a quick buck without providing legitimate goods or services. You don't get "the big prize"; you get bilked.

How can you tell the difference between a legitimate contest and a sweepstakes scam? What steps can you take to protect yourself from bogus promotions? Here are a few pointers.

* If you're required to pay, don't play. Legitimate sweepstakes and promotions don't require you to spend money or otherwise buy something to enter, increase your chances of winning, or claim your prize. Also beware of companies asking you to pay taxes, shipping charges, or other fees.

* How was the notification mailed? A few lucky people have won millions of dollars and valuable goods by participating in sweepstakes. Those winners weren't contacted via bulk mailings. Check the postmark on the envelope or postcard. Are you just one of millions who received the same "big prize" notification?



* Read the fine print. Are you required to attend a sales meeting to get your prize? What are your realistic chances of winning? If it's a skill contest, how many rounds must you successfully complete to win the grand prize? What's the time frame for naming the winner?

* Who's sponsoring the sweepstakes? Legitimate contest sponsors identify themselves clearly and prominently. Fraudsters are more likely to hide their identities. Some even use a variant of a recognized company name to trick consumers. Also be aware that it's illegal for a company to promote a sweepstakes by claiming affiliation with or endorsement by a government agency.

If you think you've been the victim of a fraudulent sweepstakes promotion, your local Better Business Bureau or state consumer protection office can help. Not sure if a promotion is legitimate? Give us a call.

Take a Break

Some leap year facts...

- * 2012, as you know, is a leap year. That means the year has 366 rather than 365 days.
- * Generally, leap years occur every four years in order to keep our calendar lined up with the Earth's revolutions around the sun.
- * Our calendar (the Gregorian) has 365 days in the year, but the earth circles the sun once in 365.242199 days. Without the leap year adjustment of adding a day every four years, our calendar would be off about 24 days after 100 years.
- * How can you determine what years will be leap years? Do the math: The year must be divisible by four, but it cannot be divisible by 100 unless it's also divisible by 400.
- * The next leap year is 2016.

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