

Vaughn Tribble, CPA

Daniel Ayala, CPA

Douglas Tribble, CPA

Tribble & Ayala
Certified Public Accountants, Inc.

571 Stanislaus Ave, Ste A
P.O. Box 400
Angels Camp, CA 95222
(209) 736-4631
Fax (209) 736-0207

2686 McKenzie Ave
P.O. Box 1020
Arnold, CA 95223
(209) 795-2311
Fax (209) 795-4730

December 1, 2011

Dear Bookkeeping Client:

PROPOSED CONTINUATION OF REDUCED SOCIAL SECURITY RATE FOR EMPLOYEES

The Social Security payroll tax is 6.2 percent for workers and companies. Under a measure Congress approved in 2010—which was effective this year, 2011—that rate dropped to 4.2 percent for workers with no break for employers. That employee tax break was to only last one year. However, legislation has been proposed to extend the tax break for another year and further reduce the social security rate for employees to 3.1 percent in 2012. We will not know until we get closer to 2012 if the tax break is extended or what the social security rate for employees will be.

STANDARD MILEAGE RATE

The IRS standard mileage rate for business miles driven in 2012 will be released sometime in December. To find out the rate call or e-mail us in January. Please remember when reimbursing employees for the business use of their private vehicle it is an optional reimbursement rate, not mandatory. It is the maximum deductible amount you can pay your employee without it being considered compensation to them. If circumstances warrant, you may consider a company policy that pays less than the IRS rate. The mileage rate in 2011 was split with Jan. – Jun. 51 @ cents per mile and Jul. – Dec. @ 55.5 cents per mile.

HIRE ACT EMPLOYER \$1,000 TAX CREDIT FOR EMPLOYEES RETAINED FOR ONE YEAR

The HIRE ACT has been in effect for employees hired between February 3, 2010 and December 31, 2010. The act gave a federal payroll tax credit in 2010 for the employer's portion of social security tax for hiring a worker that has been unemployed for at least 60-days immediately preceding employment. In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns. If you hired a qualifying worker in 2010 and employment continued for at least a year, that information is needed for your 2011 income tax return.

EMPLOYER PAID HEALTH INSURANCE ON W-2's

The requirement for employer-paid health insurance to be reported on W-2 forms originally scheduled for 2011 has been postponed until 2012. The health insurance premiums paid by the employer will be reported as an information item only on W-2s. Contrary to widely circulating chain e-mails it will definitely not be considered taxable income.

NEW 1099 REPORTING REQUIREMENTS

- Social Security Numbers on recipient 1099's - Pilot program for truncating individual recipient's social security numbers has ended. Full social security numbers must show on recipient copy of 1099s.
- Rental property expenses – Payments of \$600 or more for rental property outside services require 1099s, the same as trade or business.
- New form 1099-K – Businesses receiving merchant credit card payments from their customers will receive a 1099-K from their credit card processing company reporting the amount of income received from credit card payments. To comply with new tax return requirements, your CPA will need that form when preparing your business income tax returns.

CONTINUE TO LOOK OUT FOR SCAMS & FRAUD

Continue to be aware that e-mails and postal service mail from companies or individuals may be a scam trying to get your money, access or infect your computer or get personal information. Be aware that the IRS does not send out e-mails to taxpayers. Another recent scam is an e-mail appearing to be from AT&T asking to verify personal information or your account will be removed from the database. Do not give out any personal information through unsolicited emails.

STATEMENTS OF INFORMATION

Reminder that corporations are required to file annual form SI200 or SI200-N/C with the California Secretary of State. Your due date coincides with the date of your original incorporation. You will get a postcard in the mail with instructions. Failure to file this form will result in a \$250 fine. Non-Profit Corporations and LLC's are required to file SI-100 every other year.

MEMBER
CALIFORNIA SOCIETY OF CPA'S

SMALL BUSINESS HEALTHCARE TAX CREDIT

The Small Business Health Care Tax Credit is still in effect for 2011. Both taxable (for profit) and tax-exempt businesses qualify.

- A qualifying employer must cover at least 50% of the cost of health care coverage for some workers.
- A qualifying employer must have less than the equivalent of 25 full-time workers (50 half time workers = 25 full time)
- A qualifying employer must pay average annual wages below \$50,000.
- Corporation officers, owners and family members do not qualify.

2012 PAYROLL TAX RATES

SDI RATE DECREASES TO 1.0 % FOR 2012: The SDI rate for 2012 goes down to 1% but the wage limit will increase to \$95,585. SDI withholding includes SDI (State Disability Insurance) and PFL (Paid Family Leave).

SUI & ETT RATES FOR 2012: EDD determines SUI rates annually. For 2012 rates will range from 1.5% to 6.2% on wages to \$7,000 for each employee. New employers' rate is 3.4% for up to three years. EDD has mailed notices with your 2012 rate. Watch for it in the mail. For employers that have ETT (Employment Training Tax) the rate remains .1%.

FUTA RATES FOR 2012: FUTA (Federal Unemployment) is an employer tax only. The effective FUTA rate changed mid-year in 2011. January – June was 0.8% and July through December the rate was 0.6%. The rate dropped due to the expiration of a .2% surtax which ran out June 30, 2011. IRS has not announced any plan to reinstate the FUTA surtax so the rate is likely to remain at 0.6% on wages to \$7,000 in 2012. Please be aware that each employer's FUTA rate is tied in to State SUI that is paid. Employers that are delinquent in paying California SUI will have to pay FUTA at a higher rate.

PAYROLL DEDUCTIONS: The **Social Security wage limit increases from \$106,800 in 2011 to \$110,100 in 2012.** Unless legislation is adopted to extend the employee social security rate reduction it will revert back to 2010 levels (see chart below). If you do payroll on your own computer, be sure to get your payroll update for the new 2012 tax tables. If you do your payroll by hand, use the new tables in the **2012 Circular E (IRS Publication 15)** and **2012 California Payroll Tax Guide**. **Quickbooks payroll requires users to set their new SUI rate each year. Please check the setting for your SUI rate and change for 2012 if necessary.**

2012 Payroll Tax Rates

SDI	1.0%	(X .01) on wages to \$95,585 (Max \$955.85)
Social Sec. Employer	6.2%	(X .062) on wages to \$110,100 (Max \$6,826.20)
**Social Sec. Employee (see note below)	6.2%	(X .062) on wages to \$110,100 (Max \$6,826.20)
Medicare (Employee & Employer)	1.45%	(X .0145) on all wages – no limit
	Note:	(6.2% Soc. Sec. + 1.45% Medicare = 7.65% FICA)
SUI	Varies	On wages to \$7,000- EDD mails 2011 rate notice
ETT	.1%	(X.001) on wages to \$7,000 (not all employers pay ETT)
FUTA	.6%	(X .006) on wages to \$7,000 (certain requirements for .6% rate) (\$42 for each employee earning \$7,000)

**** Employee Social Security Rate reduction may be extended to 2012. Contact us for updates.**

TO CONTACT US BY E-MAIL

connie@tribbleayala.com
monica@tribbleayala.com
shana@tribbleayala.com Secretary
debbiev@tribbleayala.com

linda@tribbleayala.com
marcia@tribbleayala.com
greg@tribbleayala.com
heather@tribbleayala.com

**Best wishes for a happy holiday season and a prosperous 2012
from the Tribble & Ayala staff,**

Angels Camp Office:

Connie Pitta, Linda Blocher, Monica Tribble, Greg Cundari, and Shana Nash

Arnold Office:

Heather Stone, Debbie Vandiver, Marcia Kovacs

Please visit our website: www.tribbleayala.com to view previous year's newsletters containing useful information.