October 2012
Volume 1, Issue 4

THE VOS VOICE

"BECAUSE ACCOUNTING MATTERS AND WE KNOW IT"

*VOS CPAs, PLLC 80 Orville Drive, Suite 100, Bohemia, NY 11716 * 31 Park of Commerce Way, Suite 500, Savannah, GA 31405*
www.voscpas.com

INSIDE THIS ISSUE

A Message from Our President

To Our Esteemed Friends, Clients and Colleagues,

As we head into the fourth quarter of 2012 in an election year, I wonder where our country will be come December. Who will be our president? What will this mean for our clients? Local businesses? Parents? Us? 2012 has been quite a year. It has been a year of survival for most of us. We need to have a president in the office that shares not only the perspective of its people, but most importantly the reality; the day-to-day real life situations that we face. It takes someone with experience, hands-on experience to understand a hard reality "snapshot" of its people as a whole and how best to serve them.

I believe in this from the top down. Not only in my political perspectives, but also in my professional positions. You have to have experience in order to have the ability to be an expert. Sure the degrees I hold LOOK good, but if I am unable to utilize those degrees and carry them forward to my work, I am not providing myself and certainly my clients and colleagues any benefit.

I was raised in a loving home by my father, a Marine who served a double tour in Vietnam in Special Ops and my mother, a licensed Registered Nurse. While we were a blue collar family of five with a very busy household, principles and life lessons remained constant.
I am going to share three of them that I continue to follow:

1. Your word is your bond. Mean what you say, and say what you mean.
2. Treat people the way you would want to be treated
3. Know your limits and expand your horizon

I have always followed these three principles and it has served me well. I am hopeful that whoever is elected as our nation's president, will do the same. In the meantime, I wish all of you a very healthy, prosperous and happy holiday season. I hope that they are spent with loved ones; family and friends. I am hopeful for a change; a shift in the tides that will allow all of us to prosper once again as we rebuild our country, our businesses, and our personal lives.

God bless each of you, and God bless America!

Sincerely,

Heather N. Vinas

Construction Safety

Article by World Construction Today Magazine

Unfortunately the construction industry has become stereotyped as an accident prone industry, in fact only mining and fishing industries have higher fatalities. Depressingly, the accident rates experienced closely correlate to the level of activity within the industry, indicating that when work load is high, safety tends to receive less attention.

It is argued that construction management must have a prime concern for safety and therefore should have a moral, economic, and legal commitment to ensure workplace safety on sites. However the responsibility for safety must commence upstream of the construction phase of a project; architects and engineers must have the technical knowledge to design buildings which can be safely constructed, as well as a commitment to safe working conditions for site workers.

Construction Safety Costs

To many managers who have been brought up to the importance of construction scheduling, and controlling costs, the economic aspect of safety is the most forceful. In construction the costs associated with an accident can be immense. For material losses in which no injury occurs the accounting of loss can be easily assessed; but where human loss is concerned, the costing becomes more difficult since life or a physical facility cannot crudely be financially evaluated, yet it has been widely recognized that monetary compensation to either the injured party or relatives in the event of fatality has to be paid.

Most compensation payments are paid by the contractor's insurance company. Insurance companies will base their premiums upon historical evidence and a poor safety record will inevitably be reflected in insurance premiums.
However, the loss to a company by an accident can be broken into:

- Lost working hours of an injured employee.
- Cost of repair or replacement of property damage, whether it is equipment or an element of the permanent construction.
- Insurance premiums increase.
- Costs of Re-scheduling or even delay costs in some cases. Though, it was noticed that contractors who use CM Reporter for construction delay analysis can reduce this effect tremendously for the forecasting facility and past performance analysis it provides, yet other safety costs would be inevitable.

Construction Safety Policy

To generate safety consciousness within construction organizations, a firm lead must be taken by top management. It is recognized that finance and lost production are convenient measurements of accidents, but accidents should generate an emotional response, and if this emotion is genuine it will carry conviction. A safety policy

Please see *Construction Safety* on page 2

Construction Safety from page 1

which is founded upon compassion will more often succeed, since it will impervious to shifts and changes in construction scheduling and fashion and, consequently, will be less easily diluted.
Contractors should give careful thought to the role of the full time safety officer. Two basic concepts exist about this role:

- Safety officers should be advisers to site management
- Safety officers undertake the safety responsibility on behalf of sites.

In general the role of the safety officer shall consist of the following duties:

- Formulating the company's safety policy
- Advising management on legislation and safety matters
- Assisting in drafting of safe working procedures and codes of practice.
- Reporting and investigating accidents with the preparation and analysis of safety records.
- Safety training.
- Safety assessment of site management.
- Inspection of sites to ensure compliance with safety measures (Safe working methods, proper use of construction equipments, protective clothing, and availability of First aid)
- Providing information to sites on accidents that have happened elsewhere on similar sites to help generate safety consciousness within working sites.

Tax Strategy - 2012 Tax Planning

Article by George G. Jones and Mark A. Luscombe, of CCH, a Wolters Kluwer business.

With April 17, 2012, behind us and Oct. 15, 2012, still a few months away, it might be a good time to start individual clients thinking about 2012 tax planning. We are currently in a situation of uncertainty somewhat analogous to 2010. At the end of last year, the growing list of regularly expiring provisions again expired, and once again they have not been renewed as of this point. The Bush tax cuts from the 2001 and 2003 tax acts will expire at the end of 2012, as they had threatened to do at the end of 2010, and again uncertainty reigns over whether they will be extended.

In 2010, we faced a similar situation and Congress finally extended both in December 2010. In 2012, it is looking like neither issue will be addressed before the November elections. However, the agreement patched into place in 2010 may be more difficult to come by this time. With the economy on a slow mend and the Federal Reserve holding off on further economic stimulus other than holding interest rates low, President Obama appears less likely to agree to an extension of tax cuts for the wealthy. The Republicans have shown no signs of agreeing to anything less than an extension of the Bush tax cuts for everyone. And some deficit hawks are now raising their voices to suggest that letting all the Bush tax cuts expire, perhaps on a phased-in schedule, might be the best course.

As for the regular renewal of expiring "extender" provisions, there is growing talk in Congress that renewal may not be so certain anymore. Republican proposals for lower tax rates assume eliminating some tax entitlements without identifying them. Some of those may be the regularly expiring provisions. Some in Congress have specifically suggested taking a closer look at each provision, rather than just renewing them en masse.
It would be wise for clients to consider what to do should the Bush tax cuts and expired provisions not be extended. Given Congress' propensity for late-year decisions on these matters, and especially during a presidential election year, preparing several contingency plans should not be considered foolish. There may be little time left to execute these plans in late 2012, let alone planning them at that time.

There are also some new 2012 planning concerns not faced back in 2010. In 2013, unless stopped by the Supreme Court, some further tax provisions of the health care legislation are scheduled to take effect, most notably the increased Medicare taxes of 0.9 percent on earned income and 3.8 percent on net investment income for those with adjusted gross incomes over $200,000 ($250,000 for married filing jointly). So what are some of the strategies taxpayers should be thinking about?

ROTH CONVERSIONS
Roth conversions have been a hot topic since the income restrictions went away in 2010. With 2012 being perhaps the lowest tax rates we will see in a while, Roth conversions should be on the agenda as well. While Congress is talking a great deal about lowering tax rates, the deficit realities may limit what is actually doable in that regard. A Roth conversion in 2012 would ensure taxation at 2012 tax rates and make further accumulations in the Roth account tax-free in the future -- assuming, of course, that Congress does not eliminate Roth accounts while it is attacking tax expenditures.

REALIZING CAPITAL GAINS
The stock market has been doing rather well of late. Current maximum capital gain rates of 15 percent would rise to 20 percent in 2013 under current law. Realizing those gains in 2012 would ensure taxation at the current rates. Investors can even immediately repurchase the investments that they desire to hold for a longer period and still recognize the gain in 2012.

Of course, there are proposals to eliminate capital gains taxes entirely. Taxpayers may want to wait until after the November elections to get a better sense of which way the political winds are blowing before deciding whether capital gains taxes are more likely to rise or to fall in the future. Investors may also consider the likelihood of some companies sitting on cash to pay out a special dividend before 2013 if the law threatens to start taxing dividends as ordinary income again.

INVESTING IN TAX-EXEMPT BONDS
One option being discussed as a way to avoid the increased Medicare taxes on net investment income is to shift more investments to tax-exempt bonds. Tax-exempt bonds generally offer a lower return, and an investment portfolio too heavily weighted in such bonds probably does not offer sufficient diversity, but it is one move to avoid the increased taxes on taxable investments.

Please see _Tax Strategy_ on page 3

***Tax Strategy* from page 2**

Obama has proposed that the same categories of wealthy taxpayers that are subject to the increased Medicare taxes also be taxed on their municipal bond investments. Again, taxpayers can judge after the November elections how likely Obama's budget proposals are to gain traction in 2013.

GIFTING TO CHILDREN

The current unified gift and estate tax exclusion of $5 million (actually $5,120,000 for 2012) will revert to $1 million in 2013 under current law. The maximum tax rate will also go from 35 percent to 55 percent. Most taxpayers would be unwilling to accelerate their deaths, but they might be willing to accelerate gifts to take advantage of the current high exclusion amounts.

Neither the Obama administration nor the Republicans are advocating a return to the $1 million exclusion. However, in an impasse, it might happen because no one can agree on how to keep it from happening.

ACCELERATING AND DEFERRING

Normally, taxpayers are advised to try to postpone income and accelerate deductions. In an environment, however, of anticipated higher rates in the following year, 2012 is a year to consider the opposite strategy. Accelerate income to get it taxed at the lower rates of 2012, and postpone deductions so they can offset income in 2013 that would otherwise be taxed at a higher rate than 2012 income.

REQUIRED DISTRIBUTIONS

One of the provisions that expired at the end of 2011 was the provision permitting taxpayers over age 70-1/2 to make IRA distributions directly to charity and avoid taking those distributions into income. Taxpayers who have taken advantage of this strategy in the past and who would like to do so also for 2012 should try to postpone required minimum distributions until after the November elections to see if Congress acts to retroactively extend the provision.

In 2010, when Congress finally acted to retroactively extend this provision, recognizing the difficult position it had put taxpayers in by not acting until December, it enacted a special rule permitting taxpayers to elect to have a qualified charitable distribution made in January 2011 treated as having been made on Dec. 31, 2010. Congress might do something similar again this year, but if taxpayers have already taken required minimum distributions directly, it would be too late to then treat the distribution as going directly to a charity.

ALTERNATIVE MINIMUM TAX

One of the regularly expiring provisions that also expired at the end of 2011 was the increased Alternative Minimum Tax exemption amount. More than 25 million taxpayers would be caught by the AMT in 2012 if Congress did not act to extend the exemption amount. Congress is very likely to extend the exemption amount again, at least until they can agree on fundamental tax reform and get rid of the AMT entirely.

Still, taxpayers should realize that, if they are in the group that would get caught by the AMT in 2012, there are a variety of tax breaks that they may be accustomed to claiming that would not be available to them in 2012 because they are disallowed under the AMT regime.

SUMMARY

Like 2010, 2012 will continue to be a year of considerable tax uncertainty that will make planning difficult. With the growing list of regularly expiring provisions, almost every year becomes more difficult to plan for. In 2012, with the Bush tax cuts expiring, many of the same tax planning issues focused on when those cuts that were scheduled to expire in 2010 also re-emerge.

However, in 2012, we have the additional issue of the new Medicare taxes taking effect in 2013, also made somewhat uncertain by the Supreme Court's consideration this year of the enforceability of those taxes as part of its review of the constitutionality of the health care reform legislation that brought them into being.

Taxpayers may decide that the uncertainty is too much to take any specific action yet this year: They may decide at least to wait until after the November elections to view what 2013 is likely to bring. However, taxpayers will need to be armed with the facts and options available to intelligently weigh those decisions. To do that effectively requires at least some advance consideration.

7 Tax-Free Benefits for Employees

Article by Employee Benefit News, Accounting Today

Tax season sharply reminds employees how much cash Uncle Sam takes from their paychecks - and accounting firm staffs are even more aware of this. Many already take advantage of benefits such as tax-exempt health savings accounts, group term-life insurance and even tax-deferred benefits in retirement plans. Some fringe benefits, however, are lesser known for their tax-exempt status. Here, compiled by our colleagues at Employee Benefit News, are seven tax-free benefits that keep cash in employees' pockets, as well may provide attractive deductibles for employers.

1. FREQUENT FLYER MILES

Employees who fly often on business can earn miles tax-free when they pay with a personal credit card for reimbursed corporate travel. When used as a rebate, the IRS permits employees to exclude frequent flyer benefits from taxable compensation. IRS Announcement 2002-18 specifically states: "This relief does not apply to travel or other promotional benefits that are converted to cash, to compensation that is paid in the form of travel or other promotional benefits, or in other circumstances where these benefits are used for tax-avoidance purposes."

2. NON-CASH AWARDS AND PRIZES

There are three types of non-cash awards from employers that the IRS allows employees to exclude from their income. First, certain employee achievement awards that are part of a "meaningful

Please see *7 Tax Free Benefits for Employees* on page 4

***7 Tax Free Benefits for Employees* from page 3**

presentation" are tax-free as long as the gift doesn't appear to be disguised wages. Certain prizes or awards transferred to charities are tax-exempt, as are "de minimis awards and prizes," which are not cash or cash equivalent, of nominal value and provided infrequently.

3. CELL PHONES

Under IRS guidance issued in September 2011, tax-free treatment is applicable to cases where employers provide cell phones to employees or where employers reimburse their employees for the business use of their personal cell phones without burdensome recordkeeping requirements. However, the guidance does not apply cell phone use that is not primarily business-related; as such arrangements are generally taxable.

4. MEALS AND LODGING ON EMPLOYER PREMISES

Meals are excludable from employee wages if they are provided on an employer's business premises and for the employer's convenience. Lodging also can be tax-free for employees if it is provided at the worksite, for the employer's convenience, and is a condition of employment

5. COMMUTER BENEFITS AND FREE PARKING

Even though, through Congress inaction, pretax commuter benefits decreased for the 2012 tax year, employees can still contribute $125 a month tax-free for public transportation, $240 per month for qualified parking, or $365 per month for both public transportation and qualified parking.

6. DEPENDENT CARE ASSISTANCE

Generally, an employee can exclude from gross income up to $5,000 of benefits received under a dependent care assistance program each year. However, the exclusion cannot be more than the smaller of the earned income of either the employee or the employee's spouse.

7. QUALIFIED EDUCATIONAL ASSISTANCE

When an employer pays for tuition or educational expenses for an employee under an educational assistance plan, the costs are excludable from employee wages, if certain IRS requirements are met. Education may be at undergraduate or graduate level and is not required to be job-related. However, an employer must have a written plan, which does not offer alternative benefits to education. The employee cannot receive more than $5,250 per calendar year from their employer. The plan also cannot discriminate in favor of highly compensated employees.

It isn't where you came from,

It's where you're going that counts

~ Ella Fitzgerald

Top 10 Payroll Mistakes Companies Make

Story by Brian Cumberland, Managing Director
Alvarez & Marsal Taxand, LLC

The Internal Revenue Service is focused on closing the tax gap. One way it hopes to do so is by collecting under-withheld employment taxes. As part of the Employment Tax Research Project (ETRP) launched in 2010, the IRS is reviewing the payroll practices of 6,000 employers in four main areas: worker misclassification, fringe benefits, executive compensation and payroll taxes.

Once the research project is complete, the IRS will identify areas in which compliance errors routinely occur and focus audits on those issues. Companies not selected as part of the research project should look at their payroll practices and make any necessary corrections before the IRS comes knocking. We have already observed the IRS paying a lot more attention to employment tax issues and pursuing penalties with a diligence we have not previously witnessed in this area. Because we are seeing an expanded audit scope and depth of diligence by the IRS, we've put together a list of common payroll mistakes we've seen companies make. We recommend that companies, at a minimum, look at these issues:

1. Classification of Employees as Independent Contractors

Workers are generally classified as either employees or independent contractors. Getting this classification right is a big deal. Depending on the classification, how compensation gets reported to the IRS is different (Form W-2 vs. Form 1099). Whether the worker is entitled to benefits (like medical insurance coverage, retirement plan benefits and grants of equity compensation) can hinge on the worker's status as an employee. Whether a worker is subject to federal income tax and employment tax withholding is also contingent on status. If there has been an improper classification, the Voluntary Classification Settlement Program (VCSP) allows eligible employers to voluntarily reclassify workers as employees on a prospective basis and get into compliance by paying 10 percent of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year.

2. Failure to Subject Vendor Payments to Backup Withholding

If a company issues a payment to a vendor without first obtaining a Form W-9, the payment could be subject to mandatory backup withholding at a 28 percent rate. Even when it is later determined that the vendor is not subject to backup withholding (for example, the vendor is later determined to be a corporation), if the company did not obtain a Form W-9 prior to issuing payment, there may still be an issue: on audit, the IRS has pursued the collection of a failure-to-deposit penalty on the amount that should have been withheld—because at the time of payment, the company did not know that the vendor payment was exempt from backup withholding.

3. Failure to Issue Form 1099s

A Form 1099 must generally be issued to vendors, including independent contractors, who provide more than $600 in services. Some entities, such as corporations, are not required to be issued a Form 1099. If a company fails to timely furnish a Form 1099, it can be subject to penalties.

Please see
Top 10 Payroll Mistakes Companies Make on page 5

***Top 10 Payroll Mistakes Companies** make from page 4*

4. Not Including the Fair Market Value of Gift Cards, Prizes and Awards in Employees' Income
For federal income tax purposes, most prizes and awards are considered taxable fringe benefits subject to federal income and employment tax withholding. Gift cards are the equivalent of cash and should always be included in taxable wages regardless of amount. Certain items can be excluded from wages if they are de minimis in nature. However, cash equivalents are never de minimis.

5. Failing to Timely Deposit Withheld Taxes
Generally, a company is required to deposit taxes on a monthly or semi-weekly basis. When taxes reach certain amounts, they must be deposited the next business day. If a company doesn't timely deposit these taxes, the company may be subject to late deposit penalties and interest. Penalty rates range from 2 to 15 percent, depending on how late the deposit is.

6. Failure to Timely Deposit Withholding Taxes on Vested Restricted Stock and Exercise of Stock Options
When an individual exercises stock options, employment taxes should be deposited within one day of the settlement date. The settlement date should not be more than three days after the date of exercise. However, when an employee is granted restricted stock, he or she generally recognizes income upon vesting. Income and employment taxes are required to be withheld on the fair market value of the shares less any amount the employee paid for such shares on that date. The income and employment taxes may be required to be deposited the next business day.

7. Incorrectly Excluding Expense Reimbursements from Reportable Wages
Whether expense reimbursements can be excluded from an employee's wages depends on whether he or she is reimbursed pursuant to an accountable plan. An accountable plan is generally one under which expenses are reimbursed only if there is a business connection to the expenditure, there is an adequate accounting of the expenditure and any excess reimbursements are returned to the employer. If expenses are reimbursed under a policy or plan that does not meet these requirements, they must be included in taxable wages.

8. Failure to Include Nonqualified Deferred Compensation in Executives' Incomes
If nonqualified deferred compensation plans have not been amended to comply with Internal Revenue Code Section 409A or have provisions that do not comply with 409A, the executives could have an income recognition event prior to the payment of the deferred amounts and could be subject to an excise tax. The Service has also established a correction program where taxpayers can obtain some relief with respect to certain operational failures. Only certain types of failures are eligible for correction, but taking advantage of this program can reduce the total amount of income inclusion and excise taxes.

9. Not Including the Appropriate Value of Taxable Fringe Benefits in Employees' Income
Taxable fringe benefits can also include spousal travel, company-provided automobiles, country club dues and housing benefits. How a company values these fringe benefits for purposes of income and employment tax reporting and withholding can be a complicated issue. For example, there are three valuation methods for calculating the value of personal use of company-provided vehicles. Is your company calculating this correctly?

10. Excluding Travel and Commuting Expense Reimbursements from Employees' Income.
Most of the time, travel and commuting expenses are not taxable income to an employee. However, if what started out as a short-term assignment is extended beyond a year, or if an employee is traveling to a permanent work site that is not in the same place as his or her permanent residence, those company-provided travel and commuting benefits may need to be included in the employee's income.

While this list is not exhaustive, it provides a jumping off point for determining how well your company is doing. Companies should conduct a compliance review while they still have a chance to fix what's wrong without having to negotiate penalties and interest with an IRS auditor at the same time.

IRS CORNER

More Flexible Offer-in-Compromise Terms Help Taxpayers Make a Fresh Start

The IRS has expanded its “Fresh Start” initiative by offering more flexible terms to its Offer-in-Compromise Program. These newest rules enable some financially distressed taxpayers to clear up their tax problems even quicker.

An offer-in-compromise (OIC) is an agreement between a taxpayer and the IRS that settles the taxpayer’s tax liabilities for less than the full amount owed. An OIC is generally not accepted if the IRS believes the liability can be paid in full as a lump sum or through a payment agreement. The IRS looks at the taxpayer’s income and assets to determine the reasonable collection potential.

This expansion of the “Fresh Start” initiative focuses on the financial analysis used to determine which taxpayers qualify for an OIC.

Here are the OIC changes:

- Revising the calculation for a taxpayer’s future income The IRS will now look at only one year (instead of four years) of future income for offers paid in five or fewer months; and two years (instead of five years) of future income for offers paid in six to 24 months. All OICs must be paid in full within 24 months of the date the offer is accepted.

- Allowing taxpayers to repay their student loans Minimum payments on student loans guaranteed by the federal government will be allowed for the taxpayer’s post-high school education. Proof of payment must be provided.

Please see ***More Flexible Offer-in-Compromise Terms Help Taxpayers Make a Fresh Start*** on page 6

More Flexible Offer-in-Compromise Terms Help Taxpayers Make a Fresh Start make from page 5

- Allowing taxpayers to pay state and local delinquent taxes When a taxpayer owes delinquent federal and state or local taxes, and does not have the ability to fully pay the liabilities, monthly payments to state taxing authorities may be allowed in certain circumstances.

- Expanding the Allowable Living Expense allowance Standard allowances incorporate average expenses for basic necessities for citizens in similar geographic areas. These standards are used when evaluating installment agreement and offer-in-compromise requests. The National Standard miscellaneous allowance has been expanded. Taxpayers can use the allowance to cover expenses such as credit card payments and bank fees and charges.

More information on the "Fresh Start" initiative can be found at IRS.gov.

Form 656-B, Offer in Compromise Booklet, and Form 656, Offer in Compromise, can be found at IRS.gov or ordered by calling 1-800-TAX-FORM (800-829-3676).

IRS Offers Tips on How to Fix Errors Made on Your Tax Return

If you discover an error after you file your tax return, you can correct it by amending your return. Here are 10 tips from the Internal Revenue Service about amending your federal tax return:

1. When to amend a return generally, you should file an amended return if your filing status, number of dependents, total income, tax deductions or tax credits were reported incorrectly or omitted. Additional reasons for amending a return are listed in the instructions.

2. When NOT to amend a return In some cases, you do not need to amend your tax return. The IRS usually corrects math errors or requests missing forms – such as Forms W-2 or schedules – when processing an original return. In these instances, do not amend your return.

3. Form to use Use Form 1040X, Amended U.S. Individual Income Tax Return, to amend a previously filed Form 1040, 1040A, 1040EZ, 1040NR or 1040NR-EZ. Make sure you check the box for the year of the return you are amending on the Form 1040X. An amended tax return cannot be filed electronically.

4. Multiple amended returns If you are amending more than one year's tax return, prepare a separate 1040X for each return and mail them in separate envelopes to the appropriate IRS processing center (see "Where to File" in the instructions for Form 1040X).

5. Form 1040X the Form 1040X has three columns. Column A shows original figures from the original return. Column B shown the changes you are making. Column C shows the corrected figures. There is an area on the back of the form to explain the specific changes and the reasons for the changes.

6. Other forms or schedules If the changes involve other schedules or forms, attach them to the Form 1040X. Failure to do this will cause a delay in processing.

7. Additional refund If you are amending your return to get an additional refund, wait until you have received your original refund before filing Form 1040X. You may cash that check while waiting for any additional refund.

8. Additional tax If you owe additional tax, you should file Form 1040X and pay the tax as soon as possible to limit interest and penalty charges.

9. When to file Generally, to claim a refund, you must file Form 1040X within three years from the date you filed your original tax return or within two years from the date you paid the tax, whichever is later.

10. Processing time Normal processing time for amended returns is 8 to 12 weeks.

Links:
Form 1040X, Amended Federal Income Tax Return (PDF 117K)
Instructions for Form 1040X (PDF 45K)

Eleven Tips for Taxpayers Who Owe Money to the IRS

Most taxpayers get a refund from the Internal Revenue Service when they file their tax returns. For those who don't get a refund, the IRS offers several options to pay their tax bill.
Here are eleven tips for taxpayers who owe money to the IRS.

1. Tax bill payments If you get a bill from the IRS this summer that shows you owe late taxes; you are expected to promptly pay the tax owed including any penalties and interest. If you are unable to pay the amount due, it may be better for you to get a loan to pay the bill in full rather than to make installment payments to the IRS. That's because the interest rate and penalties the IRS must charge by law are often higher than what lending institutions may be offering.

2. Electronic Funds Transfer You can pay your tax bill by electronic funds transfer, check, money order, cashier's check or cash. To pay using electronic funds transfer, use the Electronic Federal Tax Payment System by either calling 800-555-4477 or using the online access at www.eftps.gov.

Please see
Eleven Tips for Taxpayers Who Owe Money to the IRS on page 7

Eleven Tips for Taxpayers Who Owe Money to the IRS
from page 6

3. Credit card payments You can pay your bill with a credit card. Again, the interest rate on a credit card may be lower than the combination of interest and penalties the IRS must charge. To pay by credit card contact one of the following processing companies:
– WorldPay US, Inc. at 888-9PAY-TAX (or www.payUSAtax.com),
– Official Payments Corporation at 888-UPAY-TAX (or www.officialpayments.com/fed), or
– Link2Gov Corporation at 888-PAY-1040 (or www.pay1040.com).

4. Additional time to pay Based on your circumstances, you may be granted a short additional time to pay your tax in full. A brief additional amount of time to pay can be requested through the Online Payment Agreement application at IRS.gov or by calling 800-829-1040. There generally is no set up fee for a short-term agreement.

5. Installment Agreement You may request an installment agreement if you cannot pay the total tax you owe in full. This is an agreement between you and the IRS to pay the amount due in monthly installment payments. You must first file all required returns and be current with estimated tax payments.

6. Apply Using Form 9465 You can complete and mail an IRS Form 9465, Installment Agreement Request, along with your bill using the envelope you received from the IRS. The IRS will inform you (usually within 30 days) whether your request is approved, denied, or if additional information is needed.

7. Apply Using Online Payment Agreement If you owe $50,000 or less in combined tax, penalties and interest, you can request an installment agreement using the Online Payment Agreement application at IRS.gov. You may still qualify for an installment agreement if you owe more than $50,000, but you are required to complete a Form 433F, Collection Information Statement, before the IRS will consider an installment agreement.

8. User fees If an installment agreement is approved, a one-time user fee will be charged. The user fee for a new agreement is $105 or $52 for agreements where payments are deducted directly from your bank account. For eligible individuals with lower incomes, the fee can be reduced to $43.

9. Offer in Compromise IRS is now offering more flexible terms with its Offer-in-Compromise (OIC) Program. An OIC is an agreement between a taxpayer and the IRS that settles the taxpayer's tax debt for less than the full amount owed. An OIC is generally accepted only if the IRS believes, after assessing the taxpayer's financial situation that the tax debt can't be paid in full as a lump sum or through a payment agreement.

10. Check withholding Taxpayers who have a balance due may want to consider changing their Form W-4, Employee's Withholding Allowance Certificate, with their employer.

11. Fresh Start The IRS has a program to help struggling taxpayers get a fresh start. Through the Fresh Start program, individuals and small businesses may be able to pay the taxes they owe without facing additional or unnecessary burden.

For more information about payment options or IRS's Fresh Start program, visit www.IRS.gov. IRS Publications 594, The IRS Collection Process, and 966, Electronic Choices to Pay All Your Federal Taxes, also provide additional information regarding your payment options. These publications and Forms 9465 and W-4 can be obtained from IRS.gov or by calling 800-TAX-FORM (800-829-3676).

False internet rumors about "Real Estate Transaction Tax" worry taxpayers

Story by Jack Hagel and Alistair M. Nevius, J.D., July 30, 2012

The National Association of Realtors has some tax advice for users of the internet: Don't believe everything you read.

There has been a recent flare-up of chain emails purporting that, come Jan. 1, all real estate transactions will be subject to a 3.8% federal sales tax. The problem: That's not true.

"This is grossly inaccurate," said Stephanie Singer, a spokeswoman for the Washington-based Realtors association. "It's not a sales tax on all properties."

The basis for the rumors is the new 3.8% Medicare tax on unearned income, which will take effect next year (Sec. 1411). That provision provides the rumors with a kernel of truth: A very small number of taxpayers will pay surtax on gain from the sale of a principal residence. The new tax will only apply to single taxpayers with a modified adjusted gross income (MAGI) in excess of $200,000 and married taxpayers with a MAGI in excess of $250,000 if filing a joint return, or $125,000 if filing a separate return. Those taxpayers will pay the tax on gain from sale of a principal residence, but only on the amount of gain that exceeds the thresholds in Sec. 121 ($250,000 for single taxpayers; $500,000 for joint returns).

False rumors about a wider-reaching real-estate tax began to find their way to inboxes in 2010, when Congress passed sweeping health care reform legislation (the Patient Protection and Affordable Care Act, P.L. 111-148, and the Health Care and Education Reconciliation Act of 2010, P.L. 111-152)—the same legislation opponents have dubbed "Obamacare"—which was the genesis of the Medicare tax.

Since June, when the U.S. Supreme Court upheld the legislation, there has been another spike in email-rumor activity, said Singer, who noted that the Realtor association does not have a position on the legislation.

As a result of the rumors, tax practitioners have been getting questions from concerned clients. The first thing for practitioners to convey to clients is that the "real estate sales tax"—at least, the version described in some emails—is largely a hoax.

Please see ***False Internet Rumors about "Real Estate Transaction Tax" worry Taxpayers*** on page 8

False Internet Rumors about "Real Estate Transaction Tax" worry Taxpayers from page 7

Practitioners should then be prepared to explain the facts:

- The new tax would only apply to single taxpayers with a modified adjusted gross income (MAGI) in excess of $200,000 and married taxpayers with a MAGI in excess of $250,000 if filing a joint return, or $125,000 if filing a separate return.
- The tax is equal to 3.8% of the lesser of the taxpayers' "net investment income" or the amount by which their MAGI exceeds the threshold amount.
- Under Sec. 1411(c)(1)(iii), net gain attributable to the disposition of property (other than property held in an active trade or business) is subject to this tax. That means taxable gain on the sale of a personal residence in excess of the Sec. 121 exclusion amount would be included. Sec. 121 provides that taxpayers may exclude up to $250,000 ($500,000 for joint returns) from the gain on the sale or exchange of a principal residence provided they meet certain ownership and use requirements.
- Only taxpayers with MAGI over $200,000 (or $250,000 if married filing jointly) who sell their principal residence and realize more than $250,000 in gain ($500,000 if married filing jointly) will be subject to the 3.8% tax and only on the amount of gain they realize over the Sec. 121 threshold (and on their other net investment income).

Example: A married couple with MAGI of $325,000 purchased a home in California many years ago for $350,000 and sold it this year for $900,000, realizing a gain of $550,000. After excluding $500,000 gain under Sec. 121, they are left with $50,000 investment income (assume they have no other investment income). Since their AGI is $75,000 over the tax's threshold amount for married taxpayers filing jointly, the lesser amount of $50,000 would be subject to taxation. At 3.8% they would owe $1,900.

Unemployment Insurance Tax Increases Expected Through 2014

Written by ADP

As the economy continues to recover from the most recent recession, employers could experience some dramatic Unemployment Insurance (UI) cost increases through at least 2014. UI cost increases will mainly be driven from the following three sources:

1. State surcharges to replenish depleted UI trust funds and/or repay federal UI loans
2. Federal Unemployment Tax Act (FUTA) increases (AKA "Credit Reduction")
3. State Bond and/or Interest assessments

Each is explained below. FUTA tax increases had not been invoked in more than a few states since the mid-1980. As a result, many businesses were surprised to learn of significant additional tax liabilities imposed for 2011. Employers should reevaluate their 2012 and future UI tax forecasts in light of these potential increases.

1. State UI Surcharges

At least 23 states have depleted state UI trust funds, and have had to draw from a special federal UI loan fund as of May 21, 2012. Many other states emerged from the recent recession with minimal UI trust fund balances and tax revenues marginally greater than UI benefit payments. To rebuild depleted UI trust funds and/or pay off federal loans, many states have reduced UI benefits and/or increased UI taxes. State legislatures are increasingly recognizing the need to rebuild UI trust funds and some have assessed in some cases substantial UI tax surcharges.

For additional information on UI surcharges, review your most recent UI tax rate assignment notice or contact the applicable State Workforce Agency.

2. Federal FUTA Tax Expected to Double or Triple in Some States by 2014

Although the FUTA tax is often not viewed as a significant expense relative to other employment costs (i.e., normally $42 per employee annually), in states with outstanding federal UI loans the FUTA tax is expected to nearly triple, to an average of $124 per employee by 2014.

As background, employers pay federal and state UI taxes on wages paid to employees. The FUTA tax is nominally 6%; however, employers generally receive a FUTA credit of 5.4% for payment of state UI taxes, making the effective FUTA tax rate 0.6% (.006) of taxable wages up to a limit of $7,000 per employee annually. When state unemployment insurance funds are depleted, as has occurred in many states in recent years, states draw from a federal loan account. If any loans are not repaid within two years, FUTA tax rates on wages paid in the affected states automatically increase due to the decrease in the amount of credit allowed ("Credit Reduction") in order to facilitate repayment of such loans.

When this situation occurs, the credit given for payment of state UI taxes is reduced – resulting in the FUTA tax increasing - typically by 0.3%, or $21 per worker, each year. The increase is payable in January of the following calendar year at the time an employer submits its Form 940 to the Internal Revenue Service. *The credit continues to be further reduced by .3% annually until federal UI loans are repaid*.

The states in which the increased FUTA tax rates will apply for 2012 will not be finalized until mid-November, because states have until that time to repay federal UI loans or take other action to avoid Credit Reduction.

Please see
Unemployment Insurance Tax Increases Expected on page 9

Unemployment Insurance Tax Increases Expected
from page 8

Several states, including Alabama, Kansas, Michigan, Minnesota and Virginia, have already repaid their loans for 2012. These states could still be subject to the FUTA Credit Reduction if additional federal UI loans prove necessary later this year.

Example:
An employee works for ABC Corp. beginning in January 2012, receiving wages of $60,000 annually. ABC Corp's FUTA tax due for 2012 would normally be $42 ($7,000 x 0.6%).

If the employee worked in Arizona, a "new" Credit Reduction state, the total FUTA tax due for 2012 would be $63 ($7,000 x .9%).

If the employee worked in California, a Credit Reduction state for a second year, the total FUTA tax due for 2012 would be $84 ($7,000 x 1.2%).

In addition to the amounts due through 2014 set forth above, there are provisions for additional Credit Reductions in the fourth and subsequent calendar years in which a state has an outstanding loan. There are also special provisions by which states can limit or avoid such Credit Reductions.

3. State Bond Assessments and Interest Assessments
Some states have issued bonds in order to repay federal loans and avoid the FUTA Credit Reduction status described above. Where applicable, employers in a state that has issued bonds for this purpose may be subject to a separate assessment related to the bond repayment. This assessment will be billed separately by the agency.

For example, Texas issued bonds to repay their federal loans. A FUTA Credit Reduction tax increase would therefore not apply in Texas, but employers may be subject to a separate bond repayment assessment.

Finally, states with outstanding federal UI loans must pay interest on the loans, and must generally assess employers separately for interest payments (i.e., interest cannot be paid from UI trust funds or UI tax collections). More than half of the states are expected to assess employers for this interest in 2012.

Example:
Connecticut recently announced a special interest assessment of about $25.50 per employee, to be billed on August 1 and due on August 31, 2012. ***Source: Connecticut Department of Labor Employer Information Notice, March 2012***

The United States Department of Labor (USDOL) estimated that $1.3 billion in interest was paid in FY2012, and another $1 billion will be assessed for FY2013.

To determine whether to expect an interest assessment, check the USDOL website below. If a state in which your organization has workers has a loan balance, it is likely that the state will notify you of interest due between June and August 2012.
http://www.ows.doleta.gov/unemploy/budget.asp#tfloans

In summary, employers should plan for potentially substantial increases in UI taxes and related assessments over the next few years. In particular, businesses should anticipate FUTA tax increases, which will be calculated and paid in January 2013 for 2012. Unemployment Insurance remains the only payroll tax that employers can control, at least in part, by prudent Human Resource management and careful handling of UI claims. Employers' tax rates typically increase as a result of an increase in unemployment claims filed.

The Way to Profits

Article by Gerri Knilans

A pricing strategy is one of the most crucial business policies a contractor or builder needs to establish. As nearly everyone in this industry can attest, it's a decision fraught with uncertainty. After all, no one business model governs all circumstances, leaving the builder to rely on everything from analytics to competitor intelligence to gut feelings before rendering the policies and procedures that could permanently impact profitability. Phrases such as "cost basis," "market basis," "value pricing" and "psychology based marketing" can lead to endless second-guessing even after the key decisions are made.

To complicate matters, there are many variables beginning with the nature of the construction business that relate to price. Price analytics applicable to a general homebuilder most likely will differ for a custom homebuilder, while the final decision for a subcontractor or a commercial builder may be based on previous winning bids submitted by the competition. Then, there is that ever-growing emphasis on green construction and the costs certain to accompany most environmentally friendly efforts. Despite all of these considerations, one universal rule can be applied to pricing strategy and although it is a cliche, it is still quite valid: nothing can be etched in stone. Prices have to be fluid and market sensitive. It is the only way construction, or any business for that matter, can improve its chances for profitability.

Pricing and Complexity

The National Association of Home Builders (NAHB), one of the largest nationwide trade associations consisting of hundreds of local homebuilders, is well aware of the myriad of issues associated with pricing decisions. NAHB offers numerous courses and workshops aimed at teaching its members about the elements involving in pricing strategy and how to explore marketing opportunities after pricing has been established.

Please see *The Way to Profits* on page 10

The Way to Profits **from page 9**

Some of the topics covered by the NAHB include understanding "key relationships that should exist among company strategy, finance and marketing," as well as connecting price, place and product with promotion. All of these topics are important components for every builder's strategy.

Sometimes approaches to pricing can run counter to established logic. In today's economy, the prevailing wisdom among homebuilders might be to emphasize attracting cost-conscious customers with low prices, but some builders and contractors in Southern California have taken an opposite view. According to an August 2010 article in the Los Angeles Times, "savvy builders raise prices several times before they ever get to a grand opening, which is the event most buyers take as a signal that the builder is ready to start taking orders." Psychology is clearly part of this pricing strategy, as builders in a none-too-subtle way encourage customers to purchase now before the prices go up again. In fact, prices are certain to increase again if the market responds positively to this approach.

Also included in the equation is market intelligence, since there is no way pricing can be determined solely based on operational and material costs and abstract profitability targets. Powerful analytics have been developed for just that purpose and some certainly are within the range that the smaller or mid-sized builder would consider affordable.

Technology's role in understanding market and demand is growing in acceptance, and companies may feel bound to have this type of support when determining the pricing they hope the market will bear.
Positioning, usually associated with marketing, applies to pricing strategy as well. A builder's ability to attract interest largely may be due to public perception of the product. It helps the customer to know in advance if the business is a low-cost tract housing provider or an upscale custom homebuilder. Here, too, any decision on positioning should be made with sophisticated data on sales probabilities, demand and public perception of the company and its track record.

The Pros and Cons of Price

Businesses learned long ago that every pricing strategy has its upsides and downsides, and both are dependent on public perception. Low-cost providers have to deal with questions about presumption by wary buyers of cutting corners, inadequate workforce and, possibly the most sensitive item, an ongoing demand from customers for even more discounts. Homebuyers, sensing control in negotiations when there is a glut of unsold new homes in their market, will demand additional discounts, which will place even more pressure on margin, price and profitability.

This issue is not limited to potential homebuyers. Think of the phrase "squeezing the supplier" and recognize that this is an ongoing dilemma for every subcontractor, especially those with low profit margins. A pricing strategy has to take account of these possibilities especially in an uncertain economy.

Don't assume that these problems are limited to the low-cost end of the spectrum. Even premium homebuilders have their challenges. If there is widespread resistance to a fixed price, the builder has unwittingly alienated a segment of the market that might mean the difference between cost absorption and profitable investment. In a June 2006 article in Residential Design & Build, writer Jay Grant suggested that custom builders avoid fixed-price strategies and instead consider cost-plus. Noting that custom buyers will seek competitive bids whenever a fixed price is involved, Grant argues cost-plus "eliminates the prospect's need to seek multiple bids from several (custom) builders since you are committing to securing one or more bids in all major phases."
Whether one agrees or disagrees with Grant's suggestion, it is clear that creative thinking is a must in today's pricing strategies. For example, a number of builders have chosen to build homes in phases and increase their prices with the start of each new phase. Rather than build all at once, they only build several. When those are sold, they adjust pricing upward with the next group. As California realtor Allen Wong put it on his real estate company's website: "the idea behind all this, of course, is to create a sense of urgency on the part of potential purchasers." Other creative possibilities for encouraging results include variations on value-added selling and partnerships with financial providers to offer creative payment options for buyers.

Creativity, however, does not deemphasize the importance of such essentials as the calculation of construction costs and comparison with profit goals, the setting of standards for every component that affects building costs and periodic reviews of determining estimates and submitting bids. All affect profitability and all can be subject to change.

Pricing in the construction industry can never be uniform, if for no other reason than the occasional unpredictability of so many different market factors. Whether the customers are end-users or primary contractors, builders need to accept that ongoing analysis and market intelligence are critical for understanding the current market picture and using the data to stay profitable. The same applies when bidding on a contract since companies need to decide whether their bid formula – fixed, cost-plus or variations of both – will be sufficient to assure profitability.

To help resolve these issues, examine the various programs of sophisticated analytics available today, especially if there is a history of underestimating actual costs. Many of these offerings are constantly updated, giving the builder an up-to-date picture of market, costs, demand, potential pitfalls and all other elements critical to developing a profitable pricing strategy. This may be the best opportunity to keep a pulse on the market for any change or fluctuation. A fluid market requires a fluid pricing strategy.

Carry laughter with you wherever you go.
~ Hugh Sidey