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THE VOS VOICE

"BECAUSE ACCOUNTING MATTERS AND WE KNOW IT"

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Welcome Letter

By **Heather N. Vinas**,
President & COO

As we begin a new year, we all want to look forward to an economy that turns around and starts to gain momentum. We look forward to hearing the news and the latest in the political polls. We want to know where our country is headed and who is going to lead us there. We rely on the communication from the news channels, our colleagues, and our networks.

I am a firm believer in communication. According to Wikipedia, "**Communication** is the activity of conveying information. Communication has been derived from the Latin word "communis", meaning to share." It is how we inform others of our past, what we are doing with our present and how we can plan to move forward to the future. It is what enables us to be empowered. It is a vital ingredient to success and yet often enough, it is over-looked. It is taken for granted.

We at VOS CPAs have decided to create a quarterly newsletter to help our clients stay informed on accounting, tax and business issues. We strongly believe in communication, and want to share that belief with you.

Sincerely

Heather N. Vinas

IRS Increases Audits of High-Income Taxpayers

According to IRS statistics released on Thursday, 12.48 percent of taxpayers with income of $1 million or higher were subjected to audits in fiscal year 2011, compared to 8.36 percent in fiscal year 2010. Those with incomes of $200,000 or higher were audited at a rate of 3.93 percent in fiscal year 2011, compared to 3.10 percent in fiscal year 2010.

In contrast, 1.02 percent of taxpayers with incomes below $200,000 a year were audited in fiscal year 2011, compared to 1.04 percent in fiscal 2010.

Large corporations were also audited at a higher rate last year, with 17.6 percent of those with assets of $10 million and higher audited in fiscal 2011, compared to 16.6 percent in fiscal year 2010.

"12.48 percent of taxpayers with income of $1 million or higher were subject to audits in fiscal year 2011"

Those with assets of $250 million and higher were audited at a rate of 27.6 percent in fiscal 2011, compared to 25.3 percent in fiscal 2010.

Smaller corporations with assets under $10 million were also audited at a greater rate, with examinations of 1.02 percent of them in fiscal 2011, compared to 0.94 percent in fiscal 2010. Make sure you are on top of your taxation matters so you can be prepared. In the words of one of our nation's founding fathers, "an ounce of prevention is worth a pound of cure."

Audit Notice from the IRS?

By Heather Vinas

If you received a notice from the IRS, Step 1 is **DON'T PANIC!** Each year, the Internal Revenue Service sends millions of letters and notices to taxpayers for a variety of reasons.

A few things you should know:

1. Don't Panic. Many of these letters can be dealt with smoothly.

2. There are a number of reasons why the IRS might send a notice. Notices may request payment of taxes, notify you of changes to your account, or request some additional information. The notice you receive normally covers a very specific issue about your account or tax return.

3. Each notice or letter offers specific instructions on what you are asked to do to satisfy the inquiry.

4. If you receive a correction notice, you should review the correspondence and compare it with the information on your return.

5. If you agree with the correction to your account, then usually no reply is necessary unless a payment is due or the notice directs otherwise.

6. If you don't agree with the correction the IRS made, it is important that you respond as requested. You should send a written explanation of why you disagree and include any documents and information you want the IRS to consider, along with the bottom tear-off portion of the notice.

Don't panic if you receive a notice from the IRS!

If you need help in responding to one of these letters, please contact our office for additional assistance. For over 25 years, we have been assisting our clients in handling direct IRS representation. Call us today ***BECAUSE ACCOUNTING MATTERS!***

SIX IMPORTANT FACTS ABOUT DEPENDENTS & EXEMPTIONS

IRS Tax Tips

Even though each individual tax return is different, some tax rules affect every person who may have to file a federal income tax return. These rules include dependents and exemptions. The IRS has six important facts about dependents and exemptions that will help you file your 2011 tax return.

1. Exemptions reduce your taxable income. There are two types of exemptions: personal exemptions and exemptions for dependents. For each exemption you can deduct $3,700 on your 2011 tax return.

2. Your spouse is never considered your dependent. On a joint return, you may claim one exemption for yourself and one for your spouse. If you're filing a separate return, you may claim the exemption for your spouse only if they had no gross income, are not filing a joint return, and were not the dependent of another taxpayer.

Six Important Facts about Dependents & Exemptions

(Continued from page 2)

3. Exemptions for dependents. You generally can take an exemption for each of your dependents. A dependent is your qualifying child or qualifying relative. You must list the Social Security number of any dependent for whom you claim an exemption.

4. If someone else claims you as a dependent, you may still be required to file your own tax return. Whether you must file a return depends on several factors including the amount of your unearned, earned or gross income, your marital status and any special taxes you owe.

5. If you are a dependent, you may not claim an exemption. If someone else – such as your parent – claims you as a dependent, you may not claim your personal exemption on your own tax return.

6. Some people cannot be claimed as your dependent. Generally, you may not claim a married person as a dependent if they file a joint return with their spouse. Also, to claim someone as a dependent, that person must be a U.S. citizen, U.S. resident alien, U.S. national or resident of Canada or Mexico for some part of the year. There is an exception to this rule for certain adopted children. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information for additional tests to determine who can be claimed as a dependent.

Wage Theft Prevention Act

As of February 1, as part of the Wage Theft Prevention Act that was passed back in April 2011, **employers in NYS** are required to have their employees fill out Acknowledgement Agreements that state such data as the employers information, employees regular rate of pay and overtime rate of pay, etc. There are six different forms available based on the employee/employer relationship (i.e. one form for an hourly employee, another form for a salaried employee, etc.) Once signed by the employee, they are to be given a copy and the employee keeps their own copy and must keep on file for 6 years. We are sending our payroll clients copies of the forms that will need to be filled out which are specific to their employees (hourly, salaried, seasonal, etc.).

The fine for not being in compliance with these WTPA requirements is up to $100 per employee, per week.