



BERNE TAX SERVICE

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Dear Tax Client,

Best wishes for the Holidays !

This has been a difficult year for many due to the economy, floods, and other disasters. I hope everyone has a better year in 2012.

I am seeing a number of notices from IRS and NYS – normally after tax season. The primary reason for the notices is the matching of 1099 and W-2 information to what is reported on the tax return. A letter is sent if it appears more income should have been reported. Please be sure that I am provided with all 1099 and W-2 forms for the year. A common problem is for sale of securities – often these statements come late and they may not look like a 1099!

It is most important to let me review any notices from IRS or NYS to verify that they are correct. Often, there is a time limit on responding so it is critical that any issues are reviewed within the requested response dates.

Also, remember that you children may also have to file a tax return if they have investment income or worked a summer job. However, be sure they do not claim themselves if still your dependent.

Tax Changes: Same sex married couples must now file as married filing jointly or married filing separately for NYS personal income tax returns.

However, IRS still requires that Single or Head of Household status be used by same sex married couples.

NYS now requires that your **date of birth** be listed on the tax return.

Brokers or security firms are now required to include the cost basis of certain securities sold during the year. This should make it easier to compute the gain or loss on securities sold. Note that the 1099-B is not required to be issued until 2/15th. Make sure all of these are received!

Some additional tax tips are located on my website at:
www.bernetax.com/documents.

Foreign bank accounts are becoming a hot issue. A reminder that if you have funds in a foreign financial institution that this fact must be disclosed on your tax return. You may be required to file an annual disclosure report. **Large** penalties may apply for non-disclosure.

Thank you for your business and the referral of new clients. It is greatly appreciated. Services available from this firm include income tax preparation, Representation before IRS or NYS on Audit issues, Payroll services, Bookkeeping/Accounting for small businesses, and Tax/retirement planning.

I look forward to seeing you in the upcoming tax season. If you have any questions on your tax matters or the upcoming tax season, please feel free to contact me.

Sincerely Yours,

Richard D. Recor, EA

Privacy Policy

It is the policy of Berne Tax Service to handle the information you provide to us with the utmost confidentiality and care. We only use the information you provide to complete the work you have hired this firm to do and will not disclose your personal and confidential information to anyone outside of this company without your express permission to do so. In addition, we maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



Credit Cards payments accepted





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TAX TIPS AND REMINDERS

- Inventory – businesses are required to take an inventory of unsold products as of the last day of your tax year (12/31 if business on a calendar year).
- Do you pay any subcontractors? If you are in business and make payments to any unincorporated entity for services or rent of \$ 600 or more, then a **1099** form must be issued by 1/31. Form W-9 should be used to collect the taxpayer id #. **Penalties** have increased so be sure to file your 1099 forms.
- Businesses will be issued a 1099-K if they receive payments by credit card. This starts for year ending 12/31/11.
- Do you own a LLC? NYS requires that a LLC form be completed and filed by **2/28**. A filing fee applies to most LLC's.
- The business mileage rate for Jan to Jun 2011 was .51 cents per mile and .555 per mile from July to Dec 2011 . **Reminder: A daily mileage log is required to be maintained to document personal and business miles. You should also mark down the odometer reading on the first and last day of each year.**
- **Is your activity a Business or Hobby?** If there is a profit for the last 3 out of 5 years it is presumed to be a business. **If not**, the following factors are considered in determining if a business: Manner in which activity is conducted, Expertise of taxpayer or advisors, time and effort spent on the activity, expectation that assets used in the activity will appreciate, prior successes in similar or dissimilar activities, amount of profits, financial situation, and elements of personal pleasure or recreation.
- Charitable contributions of \$ 250 or more require a receipt from the charitable organization. Contributions under \$ 250 require a cancelled check or receipt from the organization. For non-cash contributions such as clothing, valuation guides are available on web-sites such as The Salvation Army. You should also get a stamped receipt from the organization for these non-cash donations.
- Are you required to pay estimated tax? The last quarterly payment is due on 1/15. Penalties may apply if you underpay your tax.
- Same sex married couples must now file a joint return or as MFS for NYS but continue to file as Single for IRS. This is effective for 2011 tax year. This new law also affects NYS Estate Taxes.

- The value of personal and dependent exemption is \$ 3700 in 2011 and \$ 3800 in 2012.
- The standard deduction for MFJ is \$ 11,600 in 2011 and \$ 11,900 in 2012. The amount for Single status is \$ 5,800 in 2011 and \$ 5,950 in 2012. **Remember, if your itemized deductions are more you may benefit by using itemized deductions.**
- The maximum **EIC** is \$ 5,751 for 2011 and \$ 5,891 for 2012. It is important that you meet all the requirements that make you eligible for this credit or penalties can apply.
- IRA Contributions. The maximum contribution is \$ 5,000 in 2011 and 2012 and if you are 50 or older, an extra \$ 1,000 can be contributed.
- The annual gift exclusion is \$ 13,000 per year in 2011 and 2012.
- 2011 Federal Estate exclusion is \$ 5 million and \$ 5,120,000 for 2012. NYS exclusion is \$ 1 million.
- Do you have a foreign bank account? If so, it is required to be disclosed on your income tax return or **large penalties** may apply. If the values of the accounts exceed \$ 10,000, form TD 90-22.1 must be filed. In addition, you may be required to file form 8938 if value of foreign assets is \$ 50,000 (single) or \$ 100,000 (joint).
- Does your dependent child have to file a return? If you child has income, a return may be needed. Be sure that a child that is still your **dependent** does not claim themselves as a dependent or it will create a problem when you file your return. Also, if child's investment income is \$ 1900 or more for 2011, then may be subject to the "Kiddie" tax and have to pay at the parent's tax rate.
- Are you required to file? You must file if your gross income is at least:
 - Single \$ 9,350 (65 or older \$ 10,950)
 - Married Filing Jointly \$ 18,700 (both spouses 65 or older \$ 20,900)
 - Lower limits apply to children who are dependents of their parents.
 - There are special situations where you still want to file such as to get a refund of withholding or to claim a refundable credit.
 - NYS has lower filing requirements. You must file if Federal AGI is \$ 4,000 or more.
- Did you turn 70.5 years old during the tax year? If so, you must start withdrawing from your IRA and other retirement plans to avoid large penalties.
- Change of address? If your address changes after you file your tax return, it is important to notify both IRS and NYS so any correspondence or refund check is sent to the correct address.
- NYS Sales Tax – If you make any purchases from a company that does not collect sales tax, such as on the internet, you are required to pay any sales tax due on your NYS income tax return.
- How long should a taxpayer keep records supporting your return? The records should be maintained a minimum of 3 years after the return is due or filed, whichever is later. It is recommended that a business keeps their records for at least 7 years.
- **Disclosure in accordance to IRC 7216: The current law does not permit this firm to provide your tax information to a 3rd party such as a mortgage company unless I receive your written consent. A phone call is not acceptable.**