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OFFICE HOURS:

9-5 MONDAY – FRIDAY

9-12 SATURDAYS

Justin will be here with me again this year. We will be in the office in January but this is the month we devote to business returns, payroll reports and the dreaded 1099 forms. We cannot process income tax returns prior to the IRS approved date of January 15th and will still be waiting for the financial company and employer forms to arrive at the end of January. We will start our individual returns Friday, January 27th. There are a few exceptions such as for new college students but experience has proven that January returns are often incomplete so if you come in January be sure you have all your information.

Many of you know that Dad passed away in 2011. I want to say a special thank you to all of you who had expressed concern and understanding. Mom is doing wonderful given the circumstances. Having to be sure we have everyone's current contact numbers in case of emergency has proven to be very helpful so be sure to continue to provide us your current "best" number for contact when you call for your appointments.

As in the past, all appointments must be made through the Fair Oaks Office, now my only office. I will be in Biggs February 4th and March 3rd doing tax interviews but I need to schedule all appointments before I leave Sacramento. When I am in Biggs I can be reached by voice mail at 916-396-6865. Many of you asked about Biggs last year. I was born and raised in Biggs which is a small town in Butte County near Oroville. I go up twice each season which allows me to see the family during my busy season as well as meet with my Butte County clients, thus saving them the drive to Sacramento area.

What is new for this year's returns

Once again, the returns are actually **due by April 17th**. This is due to Emancipation Day but we will be considering April 15th as our deadline. There is no reason to allow ourselves to get careless due to these unusual dates as it will slip up and bite you later. We will consider all returns due by the 15th.

Foreign financial assets. **If you had foreign financial assets in 2011 you may need to file a form 8938 with your income tax returns.** If you had any foreign accounts we will want to discuss them. If you have any foreign assets we should, at a minimum, discuss the value of the assets to determine if you are now required to make additional disclosures. This area of increased reporting requirements affects only a few clients, so if you believe there is a chance you need to make a disclosure I am more than happy to discuss the requirements.

We will have a **new form 8949 for the capital gains and losses.** This will allow more detail for the increasing demands of forgiveness of debt and new broker requirements. The information carries to the schedule D as in the past but again provides more detail. Formerly this information had been presented as exhibits rather than on proper forms.

Standard mileage rates changed midyear again, so for those of you reporting miles driven be sure to let me know if you did not drive evenly throughout the year. We will default to even usage unless you provide a breakdown. The rate is 4 cents a mile higher for the second half of the year. Similar differences exist for medical and moving miles.

The regular indexed rate applies to standard deductions and exemptions, again with each of the various rates slightly higher than last year.

Self-employed health insurance is no longer allowed as an offset to self-employment tax but is still allowed as an adjustment to income.

Health savings accounts are allowed for federal but not for California. For those who have high deductibles this can allow limited deductions for prescription drugs and medical expenses. The penalty for distributions in excess of qualified medical expenses increased to 20% this year so be sure you have evidence to support all distributions are qualified.

Roth IRA accounts rolled over last year that did not elect to recognize the income in 2010 will be required to recognize ½ in 2011 and ½ in 2012. So, all taxpayers who converted to Roth IRA's in 2010 need to be sure to point this out so we can review the elections.

A few taxpayers will have new vehicles that qualify as a “**new fuel vehicle**”. If so, bring your contracts so we can discuss possible credits.

Some of you will be continuing to repay the **first-time homebuyer credits** and we will want to continue to monitor those repayments.

This time last year we were concerned about the new requirements for **forms 1099** but Congress recognized the problems of the requirements and eliminated the need for all property owners to file form 1096 and form 1099s. IRS has instead decided it is time to charge penalties for any missed or late forms. If you are in doubt about the requirements for form 1099 reporting call us ASAP so we can get the forms into IRS by mid-February. Again, last year late returns were charged penalties and it resulted in delays processing earned income credits for some self-employed individuals whose forms were not yet in the system as the returns were processed. Generally, it relates to interest payments of \$10 or more or outside services of \$600 or more paid by a business. There is a special rule for payments to attorneys by business owners. Remember also that California requires you to send them information about outside contract services at the time of the contract. Therefore, we will be increasing our emphasis on these forms, trying to be sure we are meeting all the requirements. If in doubt, complete the forms -- you can avoid penalties including the tax liability of the outside contractor if they fail to report the income.

Seems like everywhere we turned last year we were hearing about **new reporting requirements for tax preparers**. For those of us in California there was little effect, as California already requires us to file electronically unless we meet an exception. Request by the taxpayer to file on paper meets the requirement. CPAs already need 80 hours of continuing education every two years after qualifying for our license and have been filing electronically for several years. So, for us the only change was the new annual fee for our tax preparer identification number. For unlicensed individuals, they now must pass an exam and meet continuing education requirements.