

Common Payroll Mistakes

Kristen Farr, CPA

As the end of the year approaches, we would like to highlight some common payroll mistakes. Avoiding these common mistakes will help your payroll run more efficiently and, in turn, will also help with year-end payroll tax form preparation.

1. When preparing payroll checks using accounting software, do not override the calculated Social Security, Medicare, Federal or State taxes.
2. Make sure that you are updating your accounting software so that you have the most up-to-date tax tables. Also, you must manually update rates such as your state unemployment rate which change at the first of each year.
3. When adding new payroll deductions, make sure they are set up to be taxed appropriately. If you have a question regarding the item's taxability, please call our office and we would be happy to help you set up the deductions.
4. If you use software that calculates 941 payments, make sure you are using this feature. This will help eliminate errors. If you hand calculate your 941 liabilities, make sure you capture the entire payroll and each individual. Make sure you are using the current tax rates.
5. It is important to make sure you are depositing your payroll taxes on time. The IRS is now beginning to audit payroll tax compliance. You can avoid stiff penalties by making sure your payments are timely. For semi-weekly depositors, use the following schedule:

IF the payday falls on a . . .	THEN deposit taxes by the following . . .
Wednesday, Thursday, and/or Friday	Wednesday
Saturday, Sunday, Monday and/or Tuesday	Friday

If you are a monthly depositor, you have until the 15th of the following month to make your deposit.

If you are not sure whether you are required to deposit semi-weekly or monthly, please contact us.

Specific to W-2 preparation:

1. When preparing your W-2's, you need to reconcile the federal W-3 to the previous quarters' 941 forms that have been filed. We have a spreadsheet we would be happy to share with you that will help you accomplish this step.
2. Make sure that in the software you use, you have indicated in the employee information section whether or not the retirement box should be checked on each employee's W-2. The box should be checked if an employee is eligible to participate in the company's retirement plan, not necessarily if the employee is actually participating.

If you have questions regarding your payroll setup, tax calculations or employee setup please call our office and we would be pleased to give your payroll an end of year checkup. ■

**RESEARCHED,
WRITTEN, AND
PUBLISHED BY THE
PROFESSIONALS
AT SGS.**



Unclaimed Property

Chett Campbell, Staff Accountant

Many people are unaware of the Unclaimed Property Division in Utah. This state agency is responsible for collecting, safeguarding, and returning lost or forgotten property to its rightful owner.

Every year, individuals leave unclaimed property at local businesses. This property includes uncashed checks, refunds, and unpaid wages. Generally, this property has been deemed abandoned if no activity has been made for three years. Wages, government checks, and utility deposits are deemed unclaimed after only one year.

If your business had unclaimed property that fits into one of the above-mentioned categories as of June 30, 2010; the property should be reported to the Unclaimed Property Division by November 1, 2010. If you have additional questions concerning this matter please contact our professionals at (801)621-1575. ■



Intuit Payment Solutions for QuickBooks

Brett A. Dagley, CPA



Have you been considering accepting credit card payments, but do not know where to start?

If you are using QuickBooks software already, call us today at 801-621-1575. There are many solutions available to you, i.e., getting paid *online*, on your *website*, or even on your *cell phone*.

Priced Right for Your Business			
Card-swiped	1.64%	Monthly Minimum	\$20.00
Key-entered	2.44%	Application Fee	None
Per-authorization	\$0.23 - \$0.30	Cancellation Fee	None
Monthly Fee		\$19.95	

Risk free offer for first time merchants: Try Intuit Payment Solutions for the first two months free. Intuit will waive the first two months customer service fee and monthly minimum fee and will even waive the \$59 setup fee. **Call us today at 801-621-1575. We can help you set up your account, and answer questions about pricing, hardware requirements, etc.**

QuickBooks Merchant Service for PCs is Perfect for Businesses That:

- Process sales on the same PC they run QuickBooks with seamless integration
- Invoice and track customers individually
- Are phone or mail order based

No application fees. No cancellation fees. No long term contracts. ■

Website Tools & Resources

Derek Bell, CPA

The SGS website is now a convenient place to get quick answers to questions, find forms, upload files and stay up-to-date on current tax law changes. For those individuals or business owners who have not visited our website, come check us out at www.sgscpa.com. Some features you may be interested in include the following:

- Important financial and tax planning articles
- Financial calculators
- Links to other important accounting and tax websites
- Tax publications and forms
- File upload tool

The articles section is updated each month with the most current and useful tax planning information.

All of these free features are found under the Resources or Tools tabs on our website listed above. ■

Year-End Payroll and Retirement Reports

Chelsie McInelly, Paraprofessional

If you have paid out or rolled over any retirement funds for an employee, you will need to issue a 1099-R to the employee. If the participant had federal withholding, you will need to remit the taxes and file Form 945. Form 945 is due Monday, February 1, 2010.

The deadline for issuing 2009 1099's is Monday, February 1, 2010. Remember to issue 1099's for payments for rents or for personal services of at least \$600 and for interest and dividends paid of at least \$10. You are not required to issue 1099's to corporations except for legal services. Any attorney paid at least \$600 in 2009 should be reported. The IRS is stepping up the formatting compliance for 1099s. Refer to our 1099 article in this newsletter.

The deadline for issuing 2009 W-2 forms is Monday, February 1, 2010. Also check your W-2's for the following adjustments:

- Health insurance paid by an S-corporation on behalf of a more than 2% shareholder
- Premiums on group-term life insurance in excess of \$50,000
- Personal use of company automobiles
- Dependent care (limited to \$5,000)
- Retirement plan deferrals and participation

Some important rates for 2010 include the following:

For the first time in years, the Social Security wage base will stay at \$ 106,800 in 2010, while the Medicare wage base will remain unlimited. The taxes rates for Social Security and Medicare will remain 6.2% and 1.45%, respectively. Utah's Unemployment wage base for 2010 is \$28,300. QuickBooks users should update the new SUTA rates before the 1st 2010 payroll but after the last 2009 payroll.

Retirement plan participants can elect up to \$16,500 for 401(k) deferrals and up to \$11,500 for Simple Plan deferrals in 2010. Participants over age 50 can defer an additional \$5,500 in 401(k) plans or \$2,500 in Simple Plans. Participants should complete new election forms for 401(k) and cafeteria elections at the beginning of each year. The retirement wage limit for 2010 is \$245,000, and the maximum total deferral and employer contribution is \$49,000.

The IRS has also set the standard mileage rate at 50 cents per mile for business miles driven during 2010. ■

IRS To Audit Employment Taxes

Sherry Gibbs, Tax Supervisor

The IRS is scheduled to begin random employment tax audits in 2010. The audits will focus on employee classification (employee vs. subcontractor), timely filing and timely payments, officer compensation, and fringe benefits. Social Security tax, Medicare tax, federal unemployment tax, and personal income tax withholding will all be within the scope of the audits. The IRS is also hoping the audits will increase their understanding of noncompliance, help them to gather statistics, and determine the best way for auditors to be trained.

The IRS estimates that employment taxes could be underreported by as much as \$54 billion. Even though the IRS anticipates generating revenue during the audits, they are promising leniency on errors and underpayments. They will, however, be less like to show leniency to employers making no payments. They will be especially tough on taxpayers that miss or delay paying employees' federal withholding taxes to the IRS. Keep in mind that outsourcing payroll or hiring in-house payroll staff does not shift the owner's responsibility. With the tough economic times, the IRS is well aware that taxpayers may delay employment tax payments.

Because the audits are random it seems little can be done to reduce your risk of being selected for audit. The best approach will be to comply with all employment tax issues immediately. If you are selected for an employment tax audit we suggest the following:

1. Read the notice carefully. Some audits may request additional information rather than an on-site audit.
2. Gather the information requested in the audit. Do not give the IRS more information than they request.
3. Do not panic if auditors request tax forms not related to employment taxes. More than likely they will request income tax returns, financial statements, general ledgers, and 1099's.
4. Get help from a professional. Our office can manage audits for you. Audits can be held in our office rather than at your place of work. This will reduce business interruption and minimize the employee concern from knowing an audit is taking place. Our staff can often answer auditor questions to close the audit quickly.
5. Resolve the IRS findings immediately. Auditors are less likely to show leniency to employers who are slow to comply.

Now is the time to evaluate your payroll process. Penalties and in-interest are unnecessary and very costly. If you have concerns, our office can review your payroll process, identify any problems, and recommend improvements. ■



1099 Preparation

Derek Bell, CPA

We are seeing more and more penalties and fines issued for incorrect information or formatting on 1099s. The IRS is not hesitating to issue \$50 fines (per incorrect 1099) to 1099 issuers for incorrect formatting. One of the issues the IRS is concerned with is making sure that recipient names and Taxpayer Identification Numbers (TIN's) match. TIN's are used by the IRS to associate and verify amounts reported on 1099s with corresponding amounts on tax returns. Therefore, it is important that 1099 issuers supply correct names, social security numbers, ITIN's, or Employer Identification Numbers (EIN's) on forms sent to the IRS.

If the recipient is an individual (Sole proprietor) it is important to use the social security number. If the sole proprietor uses a DBA make sure that the individual's name is listed before the DBA on the 1099 that is issued. If the recipient is not a sole proprietor then be sure to use the exact business name and the correct EIN.

The IRS suggests that 1099 issuers request the recipients (if U.S. persons) complete Form W-9, "Request for Taxpayer Identification Number and Certification". This form provides the 1099 issuer with accurate information for reporting to the IRS.

Examples:

Recipient's name	Recipient's Identification number
1. John Doe	123-45-6789
DBA Doe Construction Co	
2. Betty's Office Supplies, LLC	98-7654321 ■

I-9 Changes

Kristen Farr, CPA

Employers are now required to use the new Employment Eligibility Verification Form, or I-9 Form, that became effective April 3, 2009. The law requires employers to complete the Form I-9 for each new employee within three days of hire. Failure to complete the Form can result in fines and/or imprisonment for the employer. The new form includes a revised list of acceptable documents that may be presented for verification as well as a new attestation section. Another important change is that expired documents are no longer acceptable proofs of identity. The following documents have been added to the list of acceptable documents that establish both identity and employment authorization:

1. Foreign passports containing the I-551 permanent residence notation printed on a machine-readable immigrant visa
2. The new U.S. passport card
3. Passports and certain other documents for citizens of the federated states of Micronesia and the Republic of the Marshall Islands.

A new employer handbook has been issued, providing instructions for completion of the I-9 form. The employer handbook can be found on the U.S. Citizenship and Immigration Services' website:
http://www.uscis.gov/files/nativedocuments/m-274_3apr09.pdf. ■





Schmitt, Griffiths, Smith & Co.
Certified Public Accountants & Consultants

5929 S. Fashion Pointe Drive, Suite 300

Ogden, UT 84403

801-621-1575 Ogden

801-532-4929 SLC

801-627-2911 Fax

www.sgscpa.com

tax planning and preparation
wealth building strategies
transaction structuring
audits, reviews, and compilations
strategic planning
retirement plan administration
network administration
estate planning
technology consulting
software solutions

